

DOCUMENT RESUME

ED 205 722

CE 029 695

AUTHOR Fanslow, Alyce M.; Compton, Cheryl W.
TITLE Entrepreneurship: A Senior High School Home Economics Career Exploration Unit.
INSTITUTION Iowa State Univ. of Science and Technology, Ames. Dept. of Home Economics Education.
PUB DATE 81
NOTE 128p.
AVAILABLE FROM University Bookstore, Memorial Union, Iowa State University, Ames, IA 50011 (\$6.70).
EDRS PRICE MF01/PC06 Plus Postage.
DESCRIPTORS Advertising; Behavioral Objectives; *Business Administration; *Business Education; *Business Skills; Distributive Education; High Schools; *Home Economics; Instructional Materials; Learning Activities; Learning Modules; Lesson Plans; Managerial Occupations; Marketing; *Occupational Home Economics; Recordkeeping; Self Evaluation (Individuals); Vocabulary; Vocational Education
IDENTIFIERS *Entrepreneurs; *Small Businesses

ABSTRACT

Entrepreneurship is a career option through which home economics teachers can challenge their students who have the independence, skills, and self-discipline necessary to succeed as small business owners. This unit was developed to assist home economics teachers in incorporating an entrepreneurial dimension into their programs. The unit contains 15 lessons with objectives, generalizations, and classroom activities. Each lesson is designed for a 50-minute class period; hence, about three weeks of class time are necessary to implement the unit. The lessons contain background information for teachers, in addition to student worksheets, student reference sheets, guest speaker guidesheets, vocabulary lists, and achievement tests. The materials may be duplicated for classroom use. Activities include case studies, field trips, readings, guest speakers, and class discussions. A small group format is suggested. The 15 units cover the following topics: nature of small business; goal setting; product determination; advertising; business location; business expenses and capital; banker visit; types of business organizations; financial management; business recordkeeping; customer and employee relations; small business owner visit; and self-evaluation of small business ownership. The last unit is an achievement test; possible assignments for make-up work also are given. (KC)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED205722

ENTREPRENEURSHIP:
A SENIOR HIGH SCHOOL HOME ECONOMICS
CAREER EXPLORATION UNIT

IOWA STATE UNIVERSITY
HOME ECONOMICS EDUCATION
AGRICULTURE AND HOME ECONOMICS EXPERIMENT STATION
PROJECT 2318

ALYCE M. FANSLAW
CHERYL W. COMPTON

1981

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

✓ This document has been reproduced as
received from the person or organization
originating it.

Minor changes have been made to improve
reproduction quality.

• Points of view or opinions stated in this docu-
ment do not necessarily represent official NIE
position or policy.

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

Alyce M. Fanslow

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

CF 029695

PARTICIPATING TEACHERS

Pilot Test

Donna Schepers	Ames High School Ames, Iowa
Suzanne Sievers	Jefferson High School Jefferson, Iowa
Virginia Southard	Marshalltown High School Marshalltown, Iowa

Field Test

Karen Clover	Marshalltown High School Marshalltown, Iowa
Melba Cox	Ottumwa High School Ottumwa, Iowa
Linda Dowell	Burlington High School Burlington, Iowa
Krista Feldman	Rolfe High School Rolfe, Iowa
Lavonne Gammon	Gilbert High School Gilbert, Iowa
Christina Gammel	Woodward-Granger High School Woodward, Iowa
Claudia Harms	Fort Dodge Senior High School Fort Dodge, Iowa
Sharon Huseman	Muscatine High School Muscatine, Iowa
Joan McCready	Missouri Valley High School Missouri Valley, Iowa
Pat Patty	Newton High School Newton, Iowa
Doris Poindexter	Mount Pleasant High School Mount Pleasant, Iowa
Suzanne Sievers	Jefferson High School Jefferson, Iowa
Betty Symons	Roland-Story High School Story City, Iowa

Preface¹

Have students in your home economics classes ever dreamed of going into business for themselves? If that has been a dream of your students, have they actually evaluated aspects of small business ownership?

If this is an interest of your students, it is a reflection of the resurgence of the American dream of "going into business for yourself." Each year approximately 500,000 new small businesses are started. Of these, only half will be in existence for 18 months or longer.²

Awareness of the opportunities and risks of small business ownership has caused vocational educators to recognize the need for entrepreneurial education in their classrooms. The American Vocational Association has supported this thrust by devoting an issue of Voc Ed (May, 1980) to the topic of entrepreneurship and by making entrepreneurship a theme for the 1980 annual meeting in New Orleans.

If entrepreneurial education is to become a part of vocational education, how can home economics teachers become involved? This was the question we asked ourselves in 1978. As a result of this question, a research project was designed to determine:

¹The preface is adapted from the article "Entrepreneurship: A Career Opportunity for Students," Illinois Teacher of Home Economics, 1981, 24:(5), 207-210. It is reprinted with the permission of the Editor, Illinois Teacher.

²Siropolis, Nicholas C. Small Business Management: A Guide to Entrepreneurship. Burlington, MA: Houghton Mifflin Co., 1977, p. 9.

1. if entrepreneurial concepts could be taught at the secondary level, and

2. if the topics could be included in either the consumer and homemaking or the occupational program.

To implement the topic of entrepreneurship at the high school level, two approaches seemed possible. The first approach was career exploration; the second, in-depth preparation. The first approach, career exploration, was selected for three reasons:

1. The knowledge that students enrolled were ages 16-18, which suggested that they were unlikely to start independent businesses without further education and management experiences.

2. The belief that students should have the opportunity to explore the concept of entrepreneurship to decide if this career option was feasible for them before they were involved in an in-depth course.

3. The recognition that classroom time available to implement this concept in ongoing home economics programs was limited.

Given the decision on the exploratory focus of the unit, existing curricula guides were reviewed. No guides were found usable because they focused on in-depth preparation for small business ownership, included few examples using women or home economics-related businesses, and presented little or no background information for teachers.

Sufficient background information for teachers seemed imperative because we knew that home economics teachers had little educational background in entrepreneurial concepts. Further, we believed that

the unit should contain most of the information needed by teachers because teachers' busy schedules prohibited their acquiring the necessary background.

The unit, "Entrepreneurship: A Senior High School Home Economics Career Exploration Unit," was developed in three phases. First, small business owners in Iowa were surveyed to determine business concepts that they believed were important for people who were considering this career. Other available curricula materials were analyzed to identify major concepts. From these two activities, 12 major concepts were identified.

The second phase of development was writing and pilot-testing the first draft of the unit. Three Iowa home economics teachers were invited to serve as the advisory panel to offer suggestions on developing the unit so that it was relevant to high school students and usable by high school home economics teachers. Some of their suggestions included having hands-on experiences, having a variety of activities in the 3-week unit, and having "reasonable" reading assignments. These three teachers also pilot-tested the unit in early 1980.

While the pilot test was occurring, the unit was reviewed to validate the accuracy of the small business content. Reviewers were small business owners and faculty members with areas of specialization in small business and economics.

Results of the pilot test showed that entrepreneurial concepts can be successfully taught to high school students. Further, the concepts proved of interest to them.

The third phase of the development of the unit was field testing the revised unit. Twelve home economics classes in Iowa participated in the field test in fall 1980. The 12 classes included six occupational and six consumer and homemaking programs. The field test was designed to answer the question, "Is it better to include a unit on entrepreneurship in occupational or in consumer and homemaking programs?"

The unit contains 15 lessons with objectives, generalizations, and classroom activities. Each lesson is designed for a 50-minute class period; hence, about 3 weeks of class time are necessary to implement the unit. The lessons contain background information for teachers in addition to student worksheets, student reference sheets, guest speaker guidesheets, vocabulary lists, and achievement tests. The materials are ready for duplication, and teachers have the right to duplicate them for classroom use only without obtaining permission of the authors. The achievement tests were developed according to standard test development procedures.

Activities include case studies, field trips, readings, guest speakers, and class discussions. Students form small groups at the start of the unit. Each small group creates a hypothetical business suitable for the community in which the unit is taught. The group changes or adapts its business as the class covers new topics and learns new information.

Classroom activities are to be reviewed. Appropriate selection and adaptation are to be made for the community in which the unit is implemented.

Results from the field test showed that students were interested in the topic of small business ownership. Teachers found the unit materials adaptable to any subject-matter class. Vocational teachers in subject areas other than home economics also could easily adapt these materials for their classes.

The consumer and homemaking classes involved in the field test included family living, foods, housing, and textiles and clothing. The occupational classes involved both food service and diversified occupational programs. Because of the nature of the occupational classes and the students' interest, the occupational teachers took longer to complete the unit than did the consumer and homemaking teachers. Occupational teachers have suggested that the unit could be developed into a 9-week course for their programs. This could be done by using the unit as it presently exists and having students pursue topics in depth. Students could actually survey their communities for business locations, develop advertising campaigns, and set up needed business records for their student businesses.

Teacher reactions to the unit have been positive. Teachers have found the unit materials very easy to use and have emphasized that the lesson format was easy to follow. Because teachers often find it difficult to use lesson plans written by others, we have been pleased with teachers' comments that they can easily use this unit.

Two teachers participating in the field test received "thank you" notes from the bankers who were guest speakers in their classes. The bankers were excited about any program that introduced the topic of small business ownership to high school students.

Teachers had questions from small business owners and community members as to why entrepreneurship was a topic in home economics classes "that, after all, deal only with cooking and sewing." The teachers were pleased to have the opportunity to expand the image of home economics in their communities.

Student reactions to the unit indicated that they were interested in pursuing entrepreneurship for reasons such as they wanted to be their own bosses, saw it as a big challenge, enjoyed helping people, and wanted to have people work for them. Students also have analyzed realistically that small business ownership involved handling paperwork, pressure, and responsibility, in addition to the challenge of obtaining initial capital. In each experimental class, there were students who seriously intended to pursue careers as entrepreneurs.

There also were students who decided not to pursue careers as small business owners. Their main reason was that they did not want the responsibility associated with entrepreneurship. The teachers and businesspersons involved with teaching small business ownership believed that it was just as important for some students to realize that entrepreneurship was not the career for them as it was for other students to select this career. Such knowledge will save time, energy, and financial commitment that could result in business failure. Teachers also believed that students were better employees because of their experiences in analyzing businesses from the owners' perspectives.

Entrepreneurship is a concept that can be incorporated into home economics programs and should be a new direction for home economics.

Entrepreneurship is a career option through which home economics teachers can challenge their students who have the independence, skills, and self-discipline necessary to succeed as small business owners. This unit was developed to assist home economics teachers in incorporating an entrepreneurial dimension into their programs.

Several people have made contributions at appropriate stages in the development of this unit. Clifford Baumbach, Kenneth Stone, Edgar Persons, Mary Jackson, Dorothy Stockamp, and each of the teachers involved in the unit testing (listed on page ii) provided significant assistance and deserve recognition. The responsibility for the final manuscript remains with the authors.

Alyce M. Fanslow

Cheryl W. Compton

TABLE OF CONTENTS

	<u>Page</u>
TITLE PAGE	i
PARTICIPATING TEACHERS	ii
PREFACE	iii
TABLE OF CONTENTS	x
UNIT OVERVIEW	xii
LESSONS NEEDING PRIOR ARRANGEMENTS BY TEACHER	xiv
VOCABULARY LIST	xvi
NOTES TO THE TEACHER	xviii
EXAMPLES OF HOME ECONOMICS-RELATED SMALL BUSINESSES	xx
REFERENCE LIST	xxi
LESSON 1: NATURE OF SMALL BUSINESS	1
STUDENT REFERENCE SHEET NO. 1	4
SMALL BUSINESS OWNERSHIP PRETEST	6
LESSON 2: GOAL SETTING	11
STUDENT REFERENCE SHEET NO. 2	14
LESSON 3: PRODUCT DETERMINATION	17
STUDENT HANDOUT NO. 1	20
LESSON 4: ADVERTISING	21
STUDENT REFERENCE SHEET NO. 3	24
LESSON 5: BUSINESS LOCATION	26
STUDENT WORKSHEET NO. 1	29
STUDENT REFERENCE SHEET NO. 4	31
LESSON 6: BUSINESS EXPENSES AND CAPITAL	34
STUDENT WORKSHEET NO. 2	36
LESSON 7: BUSINESS CAPITAL	37
STUDENT WORKSHEET NO. 3	39
TEACHER REFERENCE SHEET NO. 1	41
LESSON 8: BANKER VISIT	42
GUIDESHEET FOR BANKER	44
STUDENT REFERENCE SHEET NO. 5	47
LESSON 9: TYPES OF BUSINESS ORGANIZATIONS	49
STUDENT HANDOUT NO. 2	52
STUDENT REFERENCE SHEET NO. 6	53

LESSON 10: FINANCIAL MANAGEMENT	55
STUDENT WORKSHEET NO. 4	59
TEACHER REFERENCE SHEET NO. 2	60
STUDENT HANDOUT NO. 3 - OPTIONAL	61
STUDENT HANDOUT NO. 4 - OPTIONAL	62
LESSON 11: BUSINESS RECORDKEEPING	63
STUDENT REFERENCE SHEET NO. 7	65
LESSON 12: CUSTOMER AND EMPLOYEE RELATIONS	66
TEACHER REFERENCE SHEET NO. 3	70
LESSON 13: SMALL BUSINESS OWNER VISIT	71
GUIDESHEET FOR SMALL BUSINESS OWNER	72
LESSON 14: SELF-EVALUATION OF SMALL BUSINESS OWNERSHIP	74
STUDENT WORKSHEET NO. 5	76
LESSON 15: ACHIEVEMENT TEST	79
POSSIBLE ASSIGNMENTS FOR MAKE-UP WORK	88

UNIT OVERVIEW

Unit Objectives:

The student will be able to:

1. explore small business ownership as a career option.
2. identify factors influencing the success of a small business.

Topical Lesson Outline:

1. Nature of small business
 - define small business
 - identify home economics-related small business
 - complete achievement pretest
2. Goal setting
 - identify short-term and long-term goals
 - recognize the role of goals in business success
3. Product determination
 - identify target market
 - analyze a community's ability to support a small business
4. Advertising
 - analyze advertising media
 - select advertising for a small business
5. Business location
 - identify factors important in selecting a business location
6. Business expenses and capital
 - identify business expenses
 - recognize sources of business capital
7. Business capital
 - identify factors affecting a person's ability to obtain business capital

8. Banker visit

- identify criteria used by a banker to evaluate a loan applicant
- recognize the importance of a banker to a small business owner

9. Types of business organizations

- explain the basic legal forms of organization for a small business (proprietorship, partnership, corporation)

10. Financial management

- determine personal financial status
- define selected terms related to financial management

11. Business recordkeeping

- identify the kinds of business records necessary for a small business owner

12. Customer and employee relations

- recognize the importance of positive employee and customer relations to the success of a small business

13. Small business owner visit

- overview of a small business owner's responsibilities

14. Self-evaluation of small business ownership

- evaluate personal characteristics in relationship to characteristics of successful entrepreneurs

15. Achievement test

- complete achievement posttest

LESSONS NEEDING PRIOR ARRANGEMENTS BY TEACHER

<u>Lesson</u>	<u>Topic</u>	<u>Arrangement</u>
1	Nature of small business	-Duplicate Student Reference Sheet (SRS) No. 1. ^a -Duplicate pretests. -Obtain phone books.
2	Goal setting	-Duplicate SRS No. 2.
3	Product determination	-Duplicate Student Handout (SH) No. 1. -Obtain 5x8 cards for student groups. (Additional cards will be needed later in the unit.)
4	Advertising	-Duplicate SRS No. 3.
5	Business location	-Duplicate SRS No. 4. -Duplicate Student Worksheet (SW) No. 1 and map.
6	Business expenses and capital	-Duplicate SW No. 2.
7	Business capital	-Duplicate SW No. 3.
8	Banker visit	-Duplicate SRS No. 5. -Arrange for a banker to be a guest speaker in class; give banker the speaker guidesheet provided prior to his/her visit.
9	Types of business organizations	-Duplicate SRS No. 6. -Duplicate SH No. 2.
10	Financial management	-Duplicate SW No. 4. -Duplicate SH No. 3 and SH No. 4 - (optional). -Obtain net worth statement forms from a local bank.

^aMaterial in the unit may be duplicated by the teacher for classroom use only.

- | | | |
|----|---|---|
| 11 | Business recordkeeping | -Duplicate SRS No. 7. |
| 12 | Customer and employee relations | -Discuss the role plays with students who will participate. |
| 13 | Small business owner visit | -Arrange for small business owner to be guest speaker in class or arrange a field trip to a small business for the class.
Give business owner the speaker guidesheet provided prior to this class session. |
| 14 | Self-evaluation of small business ownership | -Duplicate SW No. 5. |
| 15 | Achievement test | -Duplicate posttests. |

VOCABULARY LIST

(For teacher reference)

Listed below are terms found on student reference sheets. Some additional terms have been provided for teacher reference.

Advertising media: Methods that direct messages to the public. The messages are to inform the public about the product or business and to influence them to buy.

Balance sheet: A current financial statement. A dollars-and-cents' description of a business that lists the assets, liabilities, and net worth.

Capital: The money used to finance business operations.

Corporation: A business owned by stockholders and chartered by the state.

Community relations: Interactions between the business and the community in which the business is located.

Credit, 4 C's of:

1. **Economic conditions:** conditions of the community, state, and country that affect loan availability.
2. **Character:** applicant's sense of responsibility toward repaying loans in addition to his/her past record of meeting financial obligations.
3. **Capacity:** analysis of applicant's income and financial obligations to determine his/her ability to repay the loan.
4. **Collateral:** applicant's personal worth including savings and any personal property that can be held or assumed to ensure repayment of a loan.

Current assets: Cash and the market value of all goods that could be turned into cash in a short period of time and all accounts receivable that are due in less than one year.

Current liabilities: Debts that must be paid within one year.

Customer relations: Interactions between the owner, employees, and customers.

Employee relations: Interactions between the owner and employees.

Entrepreneur: A person who manages and assumes the risk involved in a small business. Entrepreneur and small-business owner are used synonymously.

Fixed assets: Items used in the business for a number of years and accounts receivable that are due in more than one year.

Free enterprise system: An economic system that relies primarily on private businesses operating in competitive markets to satisfy consumer demands and to maintain balance in the economy. Government action in free enterprise is restricted to protecting the rights of individuals rather than acting as a direct economic force.

Home economics-related small business: A small business that involves the marketing of services or products in the area of foods, textiles, clothing, housing, child care, and personal services.

Initial expenses: One-time costs required to get a business started.

Income statement: A statement that shows the income received, the expenses incurred, and the net income or the net loss over a period of time. This statement is usually prepared for a year's operations.

Long-term goals: Business aims or objectives planned for one year or more in the future.

Long-term liabilities: Debts that must be paid sometime after the next 12-month period.

Net worth: Assets minus liabilities equal the owner's net worth (equity).

Operating expenses: Costs incurred as the business functions from day to day.

Partnership: A business owned and operated by two or more persons.

Petty cash: An amount of cash kept on hand and used to make small cash payments.

Short-term goals: Business aims or objectives planned for 1-6 months in the future.

Small business: A business that is independently owned and not dominant in its field.

Sole proprietorship: A business owned and operated by one person.

Target market: The specific people to whom the products are intended to be sold. They are the people who need or want the product and who are able and willing to buy.

NOTES TO THE TEACHER

These are over-all notes concerning the use of the unit.

1. Student reference sheets (SRS), student worksheets (SW), student handouts (SH) and student tests are included throughout the lessons. The schedule for the duplications needed is presented on pages xiv-xv.
2. Classroom teachers using this unit have permission of the authors to duplicate student materials for their classroom use only.
3. This unit was developed for use in secondary home economics classes. Because of that focus, examples in the unit are directed towards the home economics area. The unit is appropriate for use in other vocational education areas; it could be easily adapted for other areas by changing the examples and case studies.
4. Both consumer and homemaking and occupational home economics teachers implemented the unit in their programs without eliminating a portion of their curriculum. Consumer and homemaking teachers incorporated the unit with family budgeting in family living; with large group meal preparation (e.g., "planning a restaurant") in foods; and with planning a day-care center in child development. Teachers believed by reviewing their existing programs the unit could be incorporated into existing units, adding a new dimension to the concepts being taught.
5. Teachers should review classroom activities and adapt them as needed for their local communities. The material is not of a sensitive nature, but the background of the students will affect the depth to which concepts are developed.
6. Business examples used throughout the unit may be changed or adapted to correspond with the subject-matter content of the class in which the unit is used.
7. The use of 5x8 cards by small groups is suggested in many lessons throughout the unit. This was done to facilitate a system of recordkeeping by the groups. The groups make decisions regarding their proposed small businesses. Later decisions are dependent upon previous decisions, and students need to have the information at hand at all times. Also, the cards are easy to collect and evaluate at various times during the unit.

8. Guidelines for selecting a small business owner guest speaker:

If possible, select a small business owner from the community who has a business related to the content of the course in which this unit is taught. For example, if incorporated in housing, consider an antique business, interior design, or furniture store. If in foods, consider a restaurant, catering business, or grocery store. Teachers are advised to select guest speakers, either male or female, who could be appropriate role models for their students. Relatively youthful owners may be appropriate so students can more readily perceive careers as small business owners.

9. Color coding of unit:

- | | |
|--------|---|
| WHITE | Student reference sheets, worksheets, handouts, and tests that need to be duplicated for students as well as speaker guidesheets for the banker and small business owner that are duplicated for them |
| IVORY | Lesson plans and teacher reference sheets for the 15 lessons |
| YELLOW | Unit information pages and optional student assignments for "make-up work" |

EXAMPLES OF HOME ECONOMICS-RELATED SMALL BUSINESSES

Child development	Nursery school Day-care center Children's clothing store Children's furniture store Toy store Babysitting service
Food and nutrition	Fast-food restaurant Catering service Cake decorating Salad bar restaurant Candy shop Pie shop Speciality restaurant Barbeque catering service Bakery Health food store Grocery store Speciality food store; e.g., Middle Eastern foods
Textiles and clothing	Men's apparel shop Women's apparel shop Custom dressmaking Alteration service Custom costume making Fabric store Bridal shop Maternity shop Custom craft shop; e.g., teddy bears
Housing	Furniture store Interior design Craft store Antique shop Upholstery shop Used furniture Furniture rental Wicker furniture Paint shop

REFERENCE LIST

Student text:

Metcalf, Wendell O. Starting and Managing a Small Business of Your Own. Washington, DC: Small Business Administration, 1973.

Teacher reference:

Siropolis, Nicholas C. Small Business Management: A Guide to Entrepreneurship. Boston: Houghton Mifflin Company, 1977.

Other references:

Baumback, Clifford M., Lawyer, Kenneth, and Kelley, Pearce C. How to Organize and Operate a Small Business. Englewood Cliffs, NJ: Prentice-Hall, Inc., 1973.

Broom, H. N., and Longenecker, Justin G. Small Business Management. Cincinnati: Southwestern Publishing Co., 1975.

Greene, Gardiner G. How to Start and Manage Your Own Small Business. New York: New American Library, 1975.

Jessup, Claudia and Chipps, Genie. The Women's Guide to Starting a Business. New York: Holt, Rinehart and Winston, 1976.

Steinhoff, Dan. Small Business Management Fundamentals. New York: McGraw-Hill Book Company, 1978.

ENTREPRENEURSHIP:

A SENIOR HIGH SCHOOL HOME ECONOMICS

CAREER EXPLORATION UNIT

LESSON 1: NATURE OF SMALL BUSINESS

Objectives:

The student will be able to:

1. define small business.
2. identify the variety of home economics-related small businesses in the community.

Generalization:

1. Small business opportunities exist in a wide variety of occupational areas in every community.

Assignment for Lesson 2:

1. Read pp. 81-83 in Starting and Managing a Small Business of Your Own.
2. Read Student Reference Sheet No. 1.

Resources Needed for Lesson 1:

Starting and Managing a Small Business of Your Own (1 per student)

Student Reference Sheet No. 1 (1 per student)

Pretest (1 per student)

Phone book for local community (1 for every 2-3 students)

Teacher Reference:

Chapters 1 and 2, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

I. Unit Introduction

20 min.

- A. Ask how many students have ever considered small business ownership as a career possibility. Explain that the class will spend the next 3 weeks exploring this career. Discuss why the unit is important; include the points below. End discussion by indicating that students will have the opportunity at the end of the unit to evaluate whether small business ownership is a career possibility for them.

B. Points to cover in the discussion.

1. All students probably will be gainfully employed the majority of their adult lives. Do they want to work for someone else or do they want to be self-employed?
2. Research has shown that half (50%) of all small business owners begin their occupations with high school educations and no further training. Are students ready to begin this career? Can they obtain the money needed? (Some small businesses require initial capital of \$25,000 or more but others can be started for less.)
3. About 50% of all new small businesses fail within the first 1 1/2 years of operation. This statistic indicates that many individuals need to know more about small business ownership before ownership is attempted.
4. During a time of high unemployment, small business ownership is an important career option to consider. This option allows an individual to evaluate his/her own abilities and talents to determine how to become self-supporting.
5. Small business ownership allows the option of locating in a wide variety of sites because of the many types of small business options available.

C. Discuss briefly why owning a business may be an appealing career. Small business owners give the following reasons for choosing that occupation:

- being independent
- being one's own boss
- providing a needed product or service to the community
- building something for the future, particularly for one's family
- making a profit
- having the satisfaction of seeing a personal job well done
- being a leader in the community

II. Class Activity

25 min.

- A. Administer pretest: Allow sufficient time for each student to complete the pretest. Correct and use as a basis for teaching the unit.

B. Distribute local telephone books to small groups of students.

1. Have students go through the local telephone books and identify as many home economics-related businesses as possible. In the search students should identify businesses that are missing in the community.

In some classes the identification may be limited to the occupational area using skills associated with the class, such as to housing, foods, or textiles and clothing. If the telephone book is large, the search also should be limited to one of the content areas of home economics.

2. Hand out the student reference sheets and note the home economics-related small business definition.

- C. Discuss why the businesses identified should or should not be considered small businesses. Note the small business definition on the student reference sheet.

III. Closure

5 min.

- A. Bring out the generalization.
- B. Distribute student texts and give the assignment for Lesson 2.

STUDENT REFERENCE SHEET NO. 1

For use with Lesson 1 (Nature of small business)
Lesson 2 (Goal setting)

VOCABULARY:

Small business: A business that is independently owned and not dominant in its field.

Home economics-related small business: A small business that involves the marketing of services or products in the area of foods, textiles, clothing, housing, child care, and personal services.

Entrepreneur: A person who manages and assumes the risk involved in a small business. Entrepreneur and small business owner are used synonymously.

Long-term goals: Business aims or objectives planned for one year or more in the future.

Short-term goals: Business aims or objectives planned for 1-6 months in the future.

WHAT IS SMALL BUSINESS?

Ninety-eight percent of all American business firms have fewer than 500 employees and can be considered small business firms. The most common measures to determine if business is "small" are (1) number of employees and (2) dollar-sales volume. Depending on the industry the measures vary greatly so other measures also are used to identify small business. If a business has two of the following characteristics, it can be considered "small":

1. independent management (owner is usually the manager)
2. owner-supplied capital
3. operated mainly in a local area
4. relatively small within that industry.

For this unit small business is defined as "one that is independently owned and not dominant in its field."

WHAT ARE THE GENERAL TYPES OF SMALL BUSINESS?

1. retailing firms
2. service firms
3. wholesale firms
4. manufacturing firms

WHY IS SMALL BUSINESS IMPORTANT AND WHY BECOME A SMALL BUSINESS OWNER?

Small business is important to the American economy. It provides (1) competition to preserve the free enterprise system and (2) the major source of new ideas and inventions in American business. Small business owners give the following reasons for choosing that occupation: (1) being independent, (2) being his/her own boss, (3) providing a needed product or service to the community, (4) building something for the future, particularly for his/her family, (5) making a profit, (6) having the satisfaction of seeing a personal job well done, and (7) being a leader in the community.

WHY ARE SHORT-TERM GOALS AND LONG-TERM GOALS IMPORTANT TO A SMALL BUSINESS OWNER?

Planning for a business involves determining both short-term and long-term goals. Poor management, including a lack of long-term goals and planning to reach these goals, is a primary reason for the failure of small businesses. Short-term goals must be developed to progress toward achieving long-term goals. For example, if a small business owner plans to expand business sales by 10% in the next year (a long-term goal), the owner must plan to increase sales by almost 1% each month (a short-term goal) for the next year.

WHO ARE SMALL BUSINESS OWNERS?

There is no one specific type of person who becomes a small business owner. However, there are some characteristics of people that are common to most successful small business owners. These characteristics include an ability to:

1. take reasonable risks.
2. be self-confident.
3. be a hard worker.
4. set and plan for goals.
5. accept the success or failure of one's work.
6. do things in new ways (be innovative).

Name _____

SMALL BUSINESS OWNERSHIP PRETEST

DIRECTIONS: Write your name on the test. Select the best answer to each question and circle the answer on the test.

1. Opportunities for a career in a small business occur
 - A. frequently.
 - B. occasionally.
 - C. sporadically.
 - D. rarely.
2. If a small business owner plans to increase sales by 10% over the next year, the best short-term goal would be to
 - A. hire 2 new salespersons.
 - B. increase sales about 1% per month.
 - C. purchase 10% more inventory.
 - D. reduce employees' vacations 1 day per month.
3. An advantage of small business when compared with large business is that a small business can
 - A. be unique in the products offered.
 - B. meet the needs of a diverse target market.
 - C. operate successfully without a profit margin.
 - D. remain impersonal with customers.
4. The place to advertise to reach the greatest number of people within a community is
 - A. billboard.
 - B. newspaper.
 - C. television.
 - D. radio.
5. The best way for a business owner to determine whether a newspaper advertisement is effective is to
 - A. count coupons returned.
 - B. record employees' reactions.
 - C. tally customer comments.
 - D. monitor product sales.

6. What effect does location have on the success of a small business?
 - A. little effect
 - B. marginal effect
 - C. moderate effect
 - D. much effect
7. The small business owner's first step in selecting a business location is to
 - A. determine the location costs.
 - B. visit locations.
 - C. consult a banker on possible locations.
 - D. identify essential location needs.
8. A reason for leasing the building in which a business is located is to
 - A. pay maintenance costs.
 - B. increase owner's equity.
 - C. reduce initial expenses.
 - D. assure business location.
9. An example of an initial cost in a business is
 - A. electrical bill.
 - B. merchandise replacement.
 - C. building purchase.
 - D. employees' salaries.
10. An example of an operating cost in an established business is
 - A. cash register.
 - B. monthly rent.
 - C. display case.
 - D. delivery truck.
11. An example representing collateral is
 - A. \$3,000 debt.
 - B. \$3,000 expenses.
 - C. \$3,000 savings.
 - D. \$3,000 charge.
12. A source of capital is
 - A. withdrawing funds from personal account.
 - B. pledging support to community activity.
 - C. purchasing merchandise for store.
 - D. taking a lease on building.

13. Collateral is defined as
 - A. savings and personal property.
 - B. conditions that affect loan availability.
 - C. ability to repay the loan.
 - D. past record of meeting loan repayments.
14. An advantage of a corporation over a partnership is
 - A. simplicity of formation.
 - B. limitations on regulations.
 - C. continuity in ownership.
 - D. smaller start-up fees.
15. Business records are used by the small business owner to show
 - A. business worth.
 - B. community growth.
 - C. club memberships.
 - D. employee incentives.
16. Total assets are determined on a balance sheet by adding
 - A. fixed assets to current liabilities.
 - B. fixed assets to long-term liabilities.
 - C. current assets to net worth.
 - D. current assets to fixed assets.
17. Owner's equity is the owner's
 - A. accounts receivable.
 - B. current assets.
 - C. fixed liabilities.
 - D. net worth.
18. Current assets of a business include
 - A. \$2,500 delivery truck.
 - B. \$2,500 customer credit.
 - C. \$2,500 cash register.
 - D. \$2,500 rent payment.
19. Good employee-employer relations are developed by
 - A. giving frequent criticism.
 - B. treating employees unfairly.
 - C. ignoring individual differences.
 - D. sharing business responsibility.

20. Providing services desired by customers is an example of
- A. developing community advertising.
 - B. positive employee attitudes.
 - C. good customer relations.
 - D. building business credibility.
21. A government-sponsored agency for entrepreneurs is the
- A. Consumer Product Division.
 - B. Small Business Administration.
 - C. Department of Labor.
 - D. Federal Business Commission.
22. A common trait of entrepreneurs is the ability to:
- A. pass the buck.
 - B. anger associates.
 - C. take charge.
 - D. rush through activities.

ACHIEVEMENT PRETEST

Correct Answers

1. A
2. B
3. A
4. B
5. A
6. D
7. D
8. C
9. C
10. B
11. C
12. A
13. A
14. C
15. A
16. D
17. D
18. B
19. D
20. C
21. B
22. C

LESSON 2: GOAL SETTING

Objectives:

The student will be able to:

1. identify personal short-term and long-term occupational goals.
2. determine how short-term goals are related to long-term goals.
3. recognize the importance of goal setting to the success of a small business.

Generalization:

Planning and goal setting are important influences upon the success of a small business.

Assignment for Lesson 3:

1. Read pp. 6-8 and 25-27 in Starting and Managing a Small Business of Your Own.
2. Read Student Reference Sheet No. 2.

Resources Needed for Lesson 2:

Each student should bring his/her student text and Student Reference Sheet No. 1 to class.

Teacher Reference:

Chapter 12, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

- I. Introduction 10 min.
 - A. Have a student briefly summarize yesterday's class activities.

- B. Explain that today the topic is goal setting. From the reading assignment, how many businesses fail in their first 18 months of operation? (Answer - 50%) What effects could that have on the small business owner? (e.g., personal financial loss, feeling of failure)

II. Class Activity

35 min.

- A. Have students write down what they plan to be doing occupationally in three years (long-term goal).
- B. Have students write down two short-term goals (goals for the next 1-6 months) they must achieve in order to accomplish their long-term goals.
- C. Discuss the goals the students established. Define through the discussion:

- Short-term goals
- Long-term goals

(Definitions related to business goals are on Student Reference Sheet No. 1.)

Explain that some students may be seriously considering small business ownership as a career option; others may be considering it for the first time. Note that all careers require setting goals as well as planning to achieve those goals.

- D. Discuss short-term and long-term goals for a small business owner; discuss why it is important for a small business owner to set goals and to plan for those goals.

Bring out the generalization.

Examples of business goals:

1. Long-term goals: To expand a current business by starting a second similar small business in a nearby community.

Short-term goals:

- a. To evaluate neighboring communities to identify a good location.
- b. To begin to save the capital needed to begin the new business.

2. Long-term goals: To build a reputation as a store with outstanding customer service.

Short-term goals:

- a. To train employees in customer-relations skills.
 - b. To survey customers concerning services they feel are important.
- E. Have students revise their short-term and long-term occupational goals. Collect and evaluate the assignments if desired.

III. Closure

5 min.

- A. Summarize class discussion and give the assignment for Lesson 3.
- B. Orient students to Lesson 3, Product Determination.

The first decision a future small business owner must make is that of "What is my product?" By tomorrow have students think of five products or services that could be marketed relative to the content of their class. For example, in a housing class, products or services could be: (1) renting furniture, (2) roofing repair service, (3) selling home decorations, or (4) building unique furniture.

Students may want to focus on businesses that are currently not available in the community. The phone book search should have helped identify needed types of businesses.

STUDENT REFERENCE SHEET NO. 2

For use with Lesson 3 (Product determination)
and Lesson 4 (Advertising)

VOCABULARY:

Target market: The specific people to whom products are intended to be sold. They are the people who need or want the product and who are able and willing to buy.

Advertising media: Methods that direct messages to the public. The messages are to inform the public about the product or service and to influence them to buy.

WHAT IS A GOOD BUSINESS OPPORTUNITY?

A genuine business opportunity is indicated by a need for a particular good or service, and the need is great enough to produce a profitable sales volume. Good small business opportunities are different from those for large businesses. A small business can be unique, and it can be flexible by adapting to change quickly. Small businesses are better suited to meet the demands of a particular target market.

WHAT FACTORS AFFECT A COMMUNITY'S ABILITY TO SUPPORT A SMALL BUSINESS?

The population of a community considered in conjunction with the already existing businesses affect a community's ability to support a new business. Also to be considered are the economic base of the community, the characteristics of the people who live in the community (age, income level, occupation), and the shopping areas where people do their purchasing.

WHAT ADVERTISING MEDIA ARE AVAILABLE TO SMALL BUSINESS OWNERS?

word-of-mouth	newspapers
radio	television
telephone book, classified section	direct mail
handbills	billboards
magazines	

WHAT FACTORS INFLUENCE THE USE OF AN ADVERTISING MEDIUM?

Word-of-mouth is unpaid advertising by satisfied customers describing a store to others. It cannot be bought, yet is one of the best forms of advertising that can be obtained by the small business owner.

Newspapers, magazines, and radio advertising reach great numbers of people. If only a few of those people are potential customers, however, these media may be very expensive to use.

A telephone book's classified section ad is similar to a newspaper ad. It lasts as long as the telephone book is current. Further, it is readily available in most homes and offices.

Television is a powerful media source. However, it can be very expensive. The small business owner should evaluate the possibility of using spot announcements (very brief ads, perhaps 10 seconds of air time) or shared-program expenses. In shared-program expenses, two or more businesses sponsor a program together and share the advertising costs.

Handbills are one-page flyers describing a business, a product, or a special sale. Handbills may be distributed door-to-door in a given community or distributed individually to customers in a shopping area. Handbills are inexpensive to produce and can be effective if carefully distributed to the target market.

Direct mail is similar to a handbill; it differs in that it is mailed to potential customers. Postal rates, though minimal for businesspersons, still make direct mail more expensive per item than handbills. However, direct mail does provide controlled distribution to a select audience of identified potential customers.

Billboards and signs attract the attention of people who are traveling and have the advantage of relative permanence. However, they have the disadvantage of fixed information because they are somewhat costly and difficult to change.

WHAT SHOULD A SMALL BUSINESS OWNER CONSIDER WHEN SELECTING ADVERTISING?

The primary consideration is to identify the particular group of people to whom the message is to be directed. Consider where the customers are located, how they receive advertising information, and how they can be convinced to buy.

Try the advertising campaign on a small scale before investing a great deal of money in the promotion.

HOW CAN ADVERTISING MEDIA BE EVALUATED?

Four questions often suggested for evaluating an advertising medium are:

1. How much is it costing to reach potential customers?
2. How frequent are the contacts?
3. How appealing is the medium?
4. How selective is the audience?

HOW ARE CUSTOMER SURVEYS CONDUCTED?

Customer surveys involve keeping a record of what customers selected following advertising. Customer surveys can involve a tally of coupons returned, a record of goods sold before and after advertising, or a record of customer comments.

LESSON 3: PRODUCT DETERMINATION

Objectives:

The student will be able to:

1. identify the target market for a small business.
2. analyze a community's ability to support a small business.

Generalizations:

1. A successful small business is planned for a specific target market.
2. A community's ability to support a specific small business is influenced by the specific type of business, population of the community, number of other similar small businesses, and availability of customers desiring the product sold.

Assignment for Lesson 4:

Review Student Reference Sheet No. 2.

Resources Needed for Lesson 3:

5x8 cards for student groups

Copies for students of Student Handout No. 1, "Number of inhabitants per store by selected kinds of business"

Teacher Reference:

Chapter 3 and Chapter 4, pp. 70-72, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

I. Introduction

5 min.

Review the concept of goal setting. Briefly discuss how goal setting is important to any career. Note that goal setting is particularly important for the small business owner because of the independence and self-motivation needed for success.

II. Class Activity

35 min.

A. Divide the class into groups of 2-3 students. Each group will:

1. select a business to start in the community, and
2. make decisions for that business related to concepts studied in the unit.

Each group will change or adapt their business as they learn new concepts.

Each group will represent equal partners starting a business venture. The groups will work together throughout the unit. It is important that the groups consist of individuals who can work together successfully. If the individuals prefer to work alone, that is acceptable; groups should be no larger than three students.

B. On the 5x8 cards, have student groups (one card set per group) write the questions listed below and then their answers. The questions can be written on a transparency or chalkboard to present them to the class.

QUESTIONS:

1. WHAT IS YOUR BUSINESS?

Identify exactly the products to be sold in your business or the services to be offered.

Suggest that businesses should be unique if possible.

Students should imagine that their businesses are located in the local community. Depending on the class content (e.g., child development, housing), the teacher may want all the businesses related to that area. (See the reference sheet, p. xx, Examples of Home Economics-Related Business.)

2. WHO IS YOUR TARGET MARKET?

(Note: Target market definition on student reference sheet.)

Who are you identifying as your specific customers? Keep in mind the product or services offered by your business.

3. IS YOUR LOCAL COMMUNITY LARGE ENOUGH TO SUPPORT THE BUSINESS?

Hand out SH No. 1--"Number of inhabitants per store by selected kinds of business."

This is a general guide. Use the table to discuss the following questions before students answer question No. 3.

- a. Find your business on the attached table.
 - b. How many people must live in your area to support each business of this kind?
 - c. How many similar businesses already exist in your community?
 - d. Can your community support another business of this kind?
- C. Have each group give a 2-3 minute report on their business as they have defined it thus far on their cards.

III. Closure

10 min.

- A. Have a general discussion of the class activity.

Bring out the concept that business failure can occur from failing to consider the following areas thoroughly:

1. What is the business?

Many people fail in business because they try to do too many things. Select products and services carefully; do not have the business become too broad.

2. Who are the customers?

Know age, sex, marital status, family status, employment, income, and interests of potential customers. Know what the customers want and buy and how they pay for merchandise.

The local Chamber of Commerce or public library will have city statistics describing the population of the community. A brief market survey (questionnaire) filled out by customers, community residents, or shoppers in a business district could identify the purchasing patterns of customers.

- B. Bring out the generalizations.
- C. Give assignment for Lesson 4.

STUDENT HANDOUT NO. 1

*"Number of Inhabitants per store by selected kinds of business"*¹

National Averages

Kind of business	Number of inhabitants per store	Kind of business	Number of inhabitants per store
<i>Food Stores</i>		<i>Automotive groups--Cont'd</i>	
Grocery stores, including delicatessens	770	Aircraft, boat, motorcycle dealers	30,497
Meat markets	11,463	Household trailer dealers	46,456
Fish (seafood markets).....	51,971	<i>Lumber, building materials, farm equipment dealers</i>	
Fruit stores, vegetable markets	21,259	Farm equipment dealers	11,530
Candy, nut, confectionery stores	12,594	Lumber, building materials dealers	6,510
Dairy products stores	29,728	Paint, glass, wallpaper stores	16,239
Bakery products stores	10,126	Heating, plumbing, equipment dealers	40,589
<i>Eating, drinking places</i>		Hardware stores	6,374
Eating places	842	<i>Drug stores, proprietary stores</i>	
Drinking places (alcoholic beverages)	1,705	Drug stores	3,749
<i>General merchandise</i>		Proprietary stores	42,740
Department stores	44,379	<i>Other retail stores</i>	
Dry goods stores	34,152	Fuel, ice dealers	7,559
General merchandise stores	6,899	Hay, grain, feed stores	13,547
Variety stores	8,430	Farm, garden supply stores	16,774
<i>Apparel, accessory stores</i>		Jewelry stores	9,011
Shoe stores	7,679	Book stores	59,815
Women's clothing specialty stores	4,247	Stationery stores	33,290
Children's infants-wear stores ..	33,057	Sporting goods stores	17,270
Men's and boys' wear	8,403	Bicycle shops	100,083
<i>Furniture, home, furnishings, appliance dealers</i>		Florists	9,527
Furniture, home furnishings stores	3,437	Cigar stores, stands	38,509
Household appliances, radio, TV stores	6,148	News dealers, news stands	29,533
Music stores, records and musical instruments	23,363	Gift, novelty, souvenir stores ..	14,965
<i>Automotive groups</i>		Camera, photographic supply stores	57,030
Passenger car dealers (franchised)	5,657	Luggage, leather goods stores ..	140,684
Passenger car dealers (non-franchised)	6,741	Optical goods stores	14,792
Tire, battery, accessory dealers	7,284	Antique, secondhand stores	7,313
		Hobby, toy stores	44,099
		Pet shops	82,455

¹ Source: Bureau of the Census, U.S. Department of Commerce. Number of establishments from 1963 Census of Retail Trade. Number of inhabitants residing in the United States (excluding Armed Forces overseas), as of July 1, 1963. (These are the latest census figures available. June 1967.)

LESSON 4: ADVERTISING

Objectives:

The student will be able to:

1. analyze advertising media available to small business owners.
2. select advertising media for a small business.

Generalizations:

1. Advertising is an important factor in the success of a small business.
2. Advertising effectiveness can be evaluated by conducting customer surveys.

Assignment for Lesson 5:

Read pp. 26-32 in Starting and Managing A Small Business of Your Own.

Read Student Reference Sheet No. 3.

Resources Needed for Lesson 4:

Student Reference Sheet No. 3 (1 copy per student)

5x8 cards for student groups

Each student should bring his/her Student Reference Sheet No. 2 to class.

Teacher Reference:

Pp. 336-338, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

I. Introduction

10 min.

- A. Briefly review the importance of: (1) identifying your target market and (2) selecting a specific product to market.
- B. Ask students how a small business owner attracts customers from that target market to purchase the product or service. (Answer: through the use of advertising.)

II. Class Activity

30 min.

- A. Continue with the student groups formed in Lesson 2. Again using the 5x3 cards, have students answer the following questions.

1. WHAT ARE ALL THE POSSIBLE ADVERTISING MEDIA AVAILABLE TO YOU AS A SMALL BUSINESS OWNER?

e.g., word-of-mouth	television
direct mailing	radio
newspaper	billboards or posters
yellow pages	magazines

2. BEFORE SELECTING WHICH ADVERTISING MEDIA TO USE, WHAT DO YOU HAVE TO CONSIDER?

e.g., Cost?
 Who would see (hear) the ad? How unusual is the advertising method? Is that important for your business?
 What methods have worked for other small business owners in similar businesses?

3. WHAT ADVERTISING MEDIA ARE YOU GOING TO USE? WHY?

4. WHAT TYPE OF CUSTOMER SURVEY WILL YOU CONDUCT TO EVALUATE ADVERTISING EFFECTIVENESS?

In order to determine if the advertising was effective, some type of customer survey must be conducted.

e.g., Did business increase after a series of radio commercials?

Were more coupons turned in from one newspaper than another?

When asked, did customers say they had seen your posters displayed?

When asked, how did customers say they first became aware of your business?

B. Again have each group briefly report to the whole class:

- (1) what advertising media they are going to use, and
- (2) what type of customer surveys they will conduct to evaluate the advertising.

III. Closure

10 min.

A. Ask the following questions:

1. Why should a business advertise?

A business must promote its products to attract customers and compete with other businesses.

2. To whom should advertising be directed?

Choose a target market in a select geographic area and direct advertising to that group.

3. Why is it important to conduct customer surveys?

Advertising effectiveness must be evaluated to determine how advertising should be continued or changed.

B. Give assignment for Lesson 5.

STUDENT REFERENCE SHEET NO. 3

For use with Lesson 5 (Business location)

WHAT PROCEDURE IS RECOMMENDED TO SMALL BUSINESS OWNERS FOR SELECTING A BUSINESS LOCATION?

The following steps are recommended:

1. Make a list of factors that are necessary for the business location. Also include a list of factors that would be "desirable" but not necessary.
2. Find all the possible locations in a community that meet the list of factors.
3. Drive by the locations to get an idea of their general appearance and eliminate any that are impossible. Reduce the number down to 5-10 locations that appear workable.
4. Visit the locations and use a check list to compare them on the factors identified. Consider the factors that are critical to the business.
5. Return to the locations at various times of the day and evening to get a better understanding of the location.
6. Conduct a traffic count at each location. Count the number of cars and pedestrians that pass each location at various times to obtain a tally of the number of potential customers.
7. Consult an experienced businessperson if necessary to help decide on one location.
8. Analyze all facts and opinions and make a final decision.

SHOULD A SMALL BUSINESS OWNER BUY OR LEASE (RENT) A BUSINESS LOCATION?

There are advantages to buying a location and also advantages to leasing. Each small business owner must evaluate his/her situation and consider whether to buy or lease.

Advantages of leasing

1. Initial capital required is greatly reduced.
2. Available capital can be used for business operation.
3. Major maintenance costs may be paid by the landlord. (The business owner should be aware of any hidden costs in the lease, such as the responsibility to repair the furnace or pay for repair of broken pipes or water damage.)
4. The owner can decide not to renew the lease.

Advantages of buying

1. Increased monetary value of the building belongs to the owner.
2. Any desired changes in the building can be made.
3. No danger exists of being unable to renew the lease.

LESSON 5: BUSINESS LOCATION

Objectives:

The student will be able to:

1. identify factors important in selecting a particular business location.
2. compare alternative business locations.

Generalizations:

1. The business location is a major factor in business success or failure.
2. A small business owner must evaluate a variety of factors before selecting a business location.

Assignment for Lesson 6:

Read pp. 13-22 in Starting and Managing a Small Business of Your Own.

Read Student Reference Sheet No. 4.

Resources needed for Lesson 5:

Student Worksheet No. 1 and map (1 copy per student)

5x8 cards for small group activity

Teacher reference:

Chapter 8, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

I. Introduction

10 min.

Mike and Paula Wilson started a small bakery business in their home in addition to their other full-time jobs. The business is growing and Paula would like to quit her job and run the business full time. Distribute the location map and give students 5 minutes to study the map and answer the questions. (Worksheet and map are included.)

II. Class Activity

35 min.

A. Class votes on location.

1. Tally on the board or transparency how many students would have selected each of the three locations.
2. Ask students why they selected the location, and record reasons on the board or on a transparency.

In the discussion bring out each of the following points on factors that are important in selecting a business location.

- a. Type of business: What will the business sell? How important is it that customers find the business?
- b. Transportation: Is there easy access to major streets? Is there enough customer and employee parking?
- c. Population of the area: Are the income level and purchasing power sufficient in the area for the business?
- d. Competition: Where are competitive businesses located? How will they affect the business?
- e. Cost: Is this the most cost-effective location? What are the taxes? What are the advantages/disadvantages of buying versus renting?
- f. Flexibility: Can the building be enlarged or remodeled as needed?
- g. Appearance and layout: Is the location consistent with the image desired? Is the layout suitable?
- h. Convenience: Is it convenient to load and unload the product? Are storage areas adequate?
- i. Security: Is the building well lighted? Is adequate fire and police protection available?
- j. Physical plant: Are the heating, plumbing, and lighting adequate? Are appliances or machinery in good working order? Are doors and windows secure?
- k. Zoning: Is the location zoned for the business? Are there any local city ordinance limitations?

III. Closure

5 min.

Ask the following questions to conclude:

1. What are some factors to consider in selecting a location?
2. Why does an owner need to evaluate these factors before selecting a business location?

Student answers may be written and collected as a quiz.

STUDENT WORKSHEET NO. 1

For use with Lesson 5 (Business location)

"Where Will the Bakery Be Located?"¹

Mike and Paula Wilson started a small bakery business in their home in addition to their full-time jobs. The business is growing and Paula would like to quit her job and run the business full time.

- A. Using the location map supplied by your teacher, select the best location and write the corresponding letter (A through C) in space No. 1 below. Rank the remaining locations 2 and 3.

1. _____

2. _____

3. _____

- B. List the types of information that would be helpful to you in ranking the above sites.

1. _____

2. _____

3. _____

4. _____

5. _____

¹Adapted from Persons, E. and Swandon, G. Small Business Management Going-Into-Business Modules. St. Paul: University of Minnesota, 1978, pp. 50-54.

A	Office Supplies
---	-----------------

Parking Ramp	Drugs	Office Building
--------------	-------	-----------------

Grand Avenue

Union Street

Children's Clothing	Gifts	Men's Clothing
---------------------	-------	----------------

B	Women's Clothing	Department Store	Men's Clothing
---	------------------	------------------	----------------

Main Street

Parking	Shoe Store	Cafe
---------	------------	------

Lincoln Street

Parking	Women's Clothing	Fabric Store
---------	------------------	--------------

Adams Street

Florist	Shoe Repair	Bookstore	C
---------	-------------	-----------	---

Garfield Avenue

Shoe Store	Furniture Store
------------	-----------------

STUDENT REFERENCE SHEET NO. 4

For use with Lesson 6 (Business expenses and capital)
 Lesson 7 (Business capital)
 and Lesson 8 (Banker visit)

VOCABULARY:

Initial expenses: One-time costs required to get a business started.

Operating expenses: Costs incurred as the business functions from day to day.

Capital: The money used to finance business operations.

4 C's of credit:

1. Economic conditions: conditions of the community, state, and country that affect loan availability.
2. Character: applicant's sense of responsibility toward repaying loans in addition to past record of meeting financial obligations.
3. Capacity: analysis of applicant's income and financial obligations to determine his/her ability to repay the loan.
4. Collateral: applicant's personal worth including savings and any other personal property that can be held or assumed to ensure repayment of a loan.

WHAT ARE SOME EXAMPLES OF INITIAL AND OPERATING EXPENSES FOR A SMALL BUSINESS?

Initial expenses:

1. Land, building, building improvements
2. Equipment, furniture and supplies
3. License fees
4. Inventory, merchandise or raw materials
5. Insurance: 1) fire, 2) liability, 3) workmen's compensation
6. Advertising
7. 2-3 months' operating costs
8. Reserve: for unexpected expenses

Operating expenses:

1. Merchandise replacement
2. Salaries
3. Rent and utilities
4. Taxes - sales and social security

5. Maintenance and additional supplies
6. Interest and loan repayment
7. Insurance: 1) fire, 2) liability, 3) workmen's compensation

HOW MUCH CAPITAL IS NEEDED TO START A BUSINESS?

The amount of capital needed to begin a business is influenced by the type of business being started. A child-care service operating in a private home could be started for under \$10,000 while a restaurant could cost more than \$100,000. Service businesses (child care, housecleaning) in general cost less to begin than retail businesses (clothing, home furnishings, restaurants) because of small investments for materials, equipment, and inventories. Many businesses start small with a limited amount of capital and increase in size as the business succeeds.

WHAT DOES A BANKER CONSIDER WHEN EVALUATING A SMALL BUSINESS LOAN APPLICANT?

Bankers consider the applicant's:

1. business plan
2. personal commitment to the business (this includes both personal involvement and financial commitment)
3. experience in the business area
4. financial plan for the loan repayment
5. personal background including character, capacity, and collateral
6. economic conditions

WHAT ARE SOURCES OF CAPITAL FOR A SMALL BUSINESS OWNER?

1. Personal funds: Personal investment of the owner in his/her business.
2. Relatives or friends: Personal loan or cosigner on a bank loan.
3. Venture capitalists: Private investors.
4. Commercial banks: Individual bank policies are very different. Generally, short-term loans (less than 1 year) are easiest to obtain; interest rates for small businesses are higher than for larger firms.
5. Credit union: Small loans to members.

6. Stock: Selling stock in the business for capital.
7. Small Business Administration (SBA) loans: If a commercial bank does not approve a loan request, it may be willing to approve the loan if the SBA underwrites a large percentage of it. The SBA also has special loan programs for women and minorities.
8. Contract purchase: The purchase of a business directly from the previous owner(s). The previous owner(s) carries the mortgage.

LESSON 6: BUSINESS EXPENSES AND CAPITAL

Objectives:¹

The student will be able to:

1. list expenses in starting and operating a small business.
2. comprehend the concepts of initial capital and operating capital.
3. identify sources of business capital.
4. list factors affecting a person's ability to obtain a small business loan.

Generalizations:

1. Numerous and varied expenses are incurred when starting and operating a business.
2. Business capital can be obtained from a variety of sources.
3. A person's ability to obtain a loan is affected by the
(1) economic conditions, (2) applicant's character,
(3) applicant's loan capacity, and (4) applicant's collateral.

Assignment for Lesson 7:

Review Student Reference Sheet No. 4.

Resources Needed for Lesson 6:

Student Worksheet No. 2 (1 copy per small group) "Requesting a Small Business Loan"

Teacher Reference:

Chapters 8 and 13, Small Business Management: A Guide to Entrepreneurship

¹Objectives and generalizations for Lessons 6, 7, and 8 are similar because students are introduced to the concepts (Lesson 6), apply the concepts (Lesson 7), and discuss the concepts with a banker (guest speaker, Lesson 8).

LESSON PLAN:

I. Introduction

15 min.

A. Brainstorming

Have each small group develop a list of all the expenses they would encounter in a small business.

B. Write Initial Expenses and Operating Expenses on the board. Discuss the difference.

Have students read expenses from their lists and suggest the categories into which they fit.

C. Summarize the differences between initial expenses and operating expenses.

D. Discuss the meaning of the term capital for small business owners. (See SRS No. 4.)

II. Class Activity

15 min.

A. Discuss sources of capital for small business owners. They are listed on the SRS No. 4.

B. Discuss factors (the 4 C's of credit) affecting one's ability to obtain business capital through a business loan. The 4 C's of credit are outlined on SRS No. 4.

III. Closure

20 min.

Briefly summarize today's discussion and give the following assignment. Students can work on the assignment for the remainder of the class period. Presentations will be given on the next day.

Assignment: Have each small group prepare a brief presentation (3-5 minutes) they would give to a loan officer from whom they were requesting a business loan for their proposed business. They will actually give the presentation to the rest of the class who will act as bankers or loan officers to evaluate whether they would or would not approve the loan. Hand out a student worksheet to each small group.

STUDENT WORKSHEET NO. 2

For use with Lesson 6 (Business expenses and capital)

"Requesting a Small Business Loan"

Prepare a presentation to give to someone from whom you would request a small business loan. In your presentation you should include the following information:

1. Why does the community need your business?
2. How much money do you want to borrow?
3. For what purpose do you need the money? Are you renting a building, buying equipment, or purchasing supplies?
4. How much money do you have as collateral?
5. Why do you believe your business will succeed?
6. How can you show you are dependable enough to be given a loan? What kind of personal financial record do you have?

LESSON 7: BUSINESS CAPITAL

Objectives:

The student will be able to:

1. list expenses in starting and operating a small business.
2. comprehend the concepts of initial capital and operating capital.
3. identify sources of business capital.
4. list factors affecting a person's ability to obtain a small business loan.

Generalization:

1. A person's ability to obtain a loan is affected by the
(1) economic conditions, (2) applicant's character,
(3) applicant's loan capacity, and (4) applicant's collateral.

Assignment for Lesson 8:

Have each student write two questions to ask the banker (guest speaker) concerning the availability of small business loans and/or the application process for loans.

Resources needed for Lesson 7:•

Student Worksheet No. 3 (1 copy per student), "Would the Loan be Made?"

Teacher Reference:

Chapters 8 and 13, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

- I. Introduction 10 min.

Briefly review the assignment given yesterday and give the small groups 5-10 minutes to finalize their presentations.

II. Class Activity

25 min.

- A. Have each small group give their presentation (3-5 minutes) to the whole class.
- B. After all the presentations are given, have the entire class vote whether or not they would approve the loan for each group.
- C. Discuss the "why's" of the decision to lend or not to lend the money. Record the "why's" on the board or a transparency.
- D. Again review the 4 C's of credit used by lending institutions to evaluate loan applicants.

III. Closure

15 min.

Have each student (working individually) read each of the case studies provided on SW No. 3. He/she should identify whether he/she would or would not approve each loan and why. Collect the written assignments and evaluate.

Teacher Reference Sheet No. 1 suggests possible solutions for the case studies on SW No. 3.

STUDENT WORKSHEET NO. 3

For use with Lesson 7 (Business capital)

"Would the Loan be Made?"¹

Assume you are a loan officer at a local commercial bank. You were recently approached by the following people requesting business loans. An interview was conducted with each applicant. Read each of the following interviews and decide whether you would or would not approve each loan and why. Write the decision and reasons for that decision on a sheet of paper.

Interview No. 1:

A group of three nicely dressed young women in their late twenties have asked you for a loan of \$100,000 to finance a restaurant. The women have prepared a very thorough and well-planned presentation for you. It had been sent to you the day before for your inspection. As you begin to discuss the proposition, it becomes clear that the three individuals are not planning to invest any of their own money to finance the restaurant. The business plans show an increase in salary for each individual over what they are earning at their current jobs. There is also a rental car for each included in the budget.

Interview No. 2:

An overweight, middle-aged man has come to see you seeking a loan of \$10,000 to establish a paint store. Because his shoes are unshined and his clothes wrinkled, his appearance leaves much to be desired. As he sits down to discuss the proposition, he pulls out a small piece of notebook paper on which the entire proposition is written. He begins by telling you about himself, his family, and his current job as a salesperson at a paint supply store. He explains that by cutting corners on his family budget and adding that money to his savings, he can match the \$10,000 loan. This will give him the \$20,000 needed to finance the business. He further explains that both you and he will need to set up a schedule for repayment of the loan according to business profits.

¹Case studies adapted from Nelson, R. E. Owning and Operating a Small Business. Springfield: Illinois Office of Education, 1976, pp. 34-35.

Interview No. 3:

A woman in her late thirties visits you with a proposal to establish an upholstery shop. She begins by telling you that she has had twenty years' experience in the upholstery and furniture repair business. She is currently the manager of the upholstery and repair department at a large furniture store across town. During her presentation it becomes clear that she has the technical knowledge and experience necessary to run the business. She is asking for a loan of \$10,000 to initiate the business and will invest \$2,000 of her own money.

TEACHER REFERENCE SHEET NO. 1

For use with Lesson 7 (Business capital)
and SW No. 3

For teacher only

Possible solutions for Student Worksheet No. 3 case studies:

- No. 1 - Disapprove loan - No personal financial commitment is shown.
- No. 2 - Approve loan - Personal commitment and experience in the business are shown.
- No. 3 - Disapprove loan - Personal financial commitment is not demonstrated. However, loan would be approved if additional personal capital would be committed to business.

The students' written evaluations should address the points listed below. Their solutions may differ from the possible solutions suggested. Different opinions are acceptable as long as the solutions are explained and justified.

Business-loan applications are evaluated using these considerations:

- 1. personal commitment and involvement
- 2. business plan
- 3. experience in the business area
- 4. financial plan for loan repayment
- 5. personal background including character, capacity, and collateral

Points that should not be addressed include:

- 1. sex
- 2. race
- 3. color
- 4. national origin
- 5. handicaps.

LESSON 8: BANKER VISIT

Objectives:

The student will be able to:

1. identify sources of business capital.
2. identify criteria used by a banker to determine whether an applicant qualifies for a small business loan.
3. recognize economic factors that affect available capital.
4. list ways in which a bank can assist a small business owner.

Generalizations:

1. A banker is an important resource person for all small business owners.
2. A person's ability to obtain a loan is affected by the
(1) economic conditions, (2) applicant's character,
(3) applicant's loan capacity, and (4) applicant's collateral.

Assignment for Lesson 9:

Read Student Reference Sheet No. 5.

Resources needed for Lesson 8:

Case study (1 copy per student)

Student Reference Sheet No. 5 (1 copy per student)

LESSON PLAN:

I. Introduction

30 min.

Have banker provide an overview of ways in which a bank assists a small business. A guidesheet is attached for the guest speaker.

II. Class Activity

15 min.

- A. The banker and the students can discuss the questions developed by the students.

OR

- B. The banker can lead a discussion with students on the case study provided.

III. Closure

5 min.

Give assignment for Lesson 9 which is to read Student Reference Sheet No. 5.

GUIDESHEET FOR BANKER

The class has been involved in an introductory unit on small business ownership. Previous lessons included:

1. nature of small business
2. goal setting
3. product determination
4. advertising
5. selecting a business location
6. business expenses and obtaining business capital.

The lessons on capital included a discussion of the 4 C's of credit: (1) economic conditions, (2) character, (3) capacity to repay, and (4) collateral. Also sources of capital and initial and operating business expenses were discussed. Students analyzed brief case studies of small business loan applicants and selected good and poor credit risks. They also gave presentations simulating loan applications.

Objectives for today's lesson:

The student will be able to:

1. identify sources of business capital.
2. identify criteria used by a banker to determine whether an applicant qualifies for a small business loan.
3. recognize economic factors that affect available capital.
4. list ways in which a bank can assist a small business owner.

Activity:

Present an overview of:

30 min.

1. sources of capital.
2. criteria used to evaluate business loan applicants.
3. economic factors that influence the availability of money.
4. current average interest rates and length of loan repayment periods.
5. risks associated with different types of businesses.
6. types of assistance bankers provide small business owners.
7. bank's philosophy towards lending money for small businesses in the community.
8. importance of a banker to a small business owner.

Closure

15 min.

1. Respond to student questions.

OR

2. Lead a discussion with students on the case study provided.

Case study

For use during the banker's presentation

A 23-year-old woman who is currently a school secretary has come to see you regarding a loan of \$15,000 to start a bakery in town. She has \$3,000 in savings and her parents are willing to invest \$10,000 in the business. She has had business education training at the community college and enjoys baking for her family and friends. She plans to buy and reopen a local bakery that closed six months ago. She has two friends and a brother who will all work part-time to help her operate the bakery.

Discussion questions:

Is this applicant a good credit risk?

Why or why not?

What additional information would be helpful in making an evaluation?

Discuss the strong and weak points of her situation.

STUDENT REFERENCE SHEET NO. 5

For use with Lesson 9 (Types of business organizations)

VOCABULARY:

Sole proprietorship: A business owned and operated by one person.

Partnership: A business owned and operated by two or more persons.

Corporation: A business owned by stockholders and chartered by the state.

WHAT ARE ADVANTAGES AND DISADVANTAGES OF A SOLE PROPRIETORSHIP, A PARTNERSHIP, AND A CORPORATION?

Sole Proprietorship:

Advantages:

1. There are low start-up costs and no state fees for incorporation.
2. The owner is in direct control and has the freedom to make the business decisions.
3. All profits are the property of the owner.
4. Business losses can be deducted from personal income when determining income tax.

Disadvantages:

1. All business losses are the responsibility (liability) of the owner. The owner may lose personal property because of a business failure.
2. If the owner dies, there is no one to move readily into the owner's position and continue the business.
3. The many management abilities needed seldom are possessed by one person.
4. Additional capital is difficult to raise because of limited personal assets.

Partnership:

Advantages:

1. There are low start-up costs and no state fees for incorporation.
2. There is a broader management base. "Two heads are better than one."

3. The owners are able to obtain additional capital more easily than sole proprietors because of combined personal assets.
4. There is a tax advantage because business losses are deductible from the personal income of the partners.

Disadvantages:

1. Each partner is responsible for all debts incurred in the business.
2. The partnership is dissolved automatically upon a partner's death or voluntary withdrawal.
3. Profits are divided among the partners.
4. It is difficult to find suitable partners.
5. The authority and control are divided, and each partner is responsible for the actions of the other.

Corporation:

Advantages:

1. The owners or stockholders have limited personal responsibility (liability) for business failure.
2. A corporation board could include members with specialized management experience.
3. The corporation has continuous existence.
4. Capital can be accumulated from the sale of stock.

Disadvantages:

1. Corporations are regulated closely by the government.
2. Extensive recordkeeping and numerous reports are required.
3. Incorporation fees make this type of business the most expensive to start.
4. Corporate dividends have double taxation. The corporation is taxed, and the dividend also is taxed when reported as personal income.

LESSON 9: TYPES OF BUSINESS ORGANIZATIONS

Objectives:

The student will be able to:

1. explain basic differences between a sole proprietorship, a partnership, and a corporation.
2. identify reasons for selecting a particular form of legal organization.
3. identify advantages and disadvantages of each of the three legal forms of organization.

Generalization:

The type of business organization selected by a small business owner depends on a variety of factors such as liability, taxes, management experience, control, and recordkeeping.

Assignment for Lesson 10:

Read Student Reference Sheet No. 6.

Resources needed for Lesson 9:

Student Reference Sheet No. 6 (1 copy per student)

Student Handout No. 2 (1 copy per student), "How to Expand"

Teacher Reference:

Chapter 6, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

- I. Introduction 10 min.
 - A. Have each student read the case study on the student handout, "How to Expand."

- B. The teacher will define sole proprietorship, partnership, and corporation, using any technique selected by the teacher. The terms may be put on one set of cards and the definitions on another set of cards. Students then match the card sets.

Definitions are on Student Reference Sheet No. 5.

II. Class Activity (based on the case study, "How to Expand,"
SH No. 2) 30 min.

- A. Using the existing small groups, assign each group to one of the divisions listed below. Because this activity does not directly involve the small businesses created by the class groups, students may be reassigned to new small groups for this lesson only. This alternative is suggested in case the teacher wants students to work with different individuals.

1. Sole proprietorship	1 small group
2. Partnership	1 small group
3. Corporation	1 small group
4. Board of judges	rest of class

B. Preparation

1. Have groups Nos. 1, 2, and 3 read the advantages and disadvantages list appropriate for their legal form of organization on Student Reference Sheet No. 5. They have 10 minutes to prepare a 3-minute presentation on why Ms. Jones should choose their form of organization to expand her clothing business.
2. Have the judges review the lists of advantages and disadvantages and use the 10 minutes to prepare questions for the speakers.

C. Presentations

1. Student groups have 3 minutes to give the presentation and 2 minutes to answer questions from the judges.
2. Judges discuss results and determine whether there was a best solution or most convincing argument.

III. Closure

10 min.

- A. Teacher briefly reviews advantages and disadvantages of each legal form of organization presented.
- B. Have each student (individually) select (write down) a type of business organization for his/her proposed group business. He/she should write 2-4 reasons as to why he/she chose that particular type of organization. Collect and evaluate this activity.
- C. Give assignment for Lesson 10.

STUDENT HANDOUT NO. 2

For use with Lesson 9 (Types of business organizations)

"How to Expand"¹

Ms. Jones has owned and operated a clothing store in a shopping center, an excellent location, for six years as a sole proprietor. The business has been very profitable and has allowed her to save \$20,000 over that time.

Ms. Jones has been looking for a way to expand her business in order to become more profitable, but there are no vacant stores adjacent to her business. She is somewhat apprehensive about operating two clothing stores at two separate locations. She enjoys the independence of owning and managing her own store and believes her presence in the store has been a key to its success.

There is a small clothing store for sale across town that she could afford to purchase. She believes that she could maintain the two businesses as a sole proprietor. The store is in a good location and has been profitable over the past three years. Ms. Jones' hesitation concerns her time being divided between the two locations.

A business acquaintance, Mr. Wood, approached Ms. Jones this morning about the possibility of forming a partnership. Mr. Wood owns and operates two fairly successful clothing stores on the other side of town. He has managed them for one year since his father retired and left the business. During the past year profits have been dwindling. Ms. Jones believes this is due to poor management because the two stores were profitable for years under his father's management. Together Mr. Wood's stores are worth more than twice the value of Ms. Jones' business. Mr. Wood is aware of this but is willing to make the new partnership a fifty-fifty arrangement. They would share all profits and each would own one-half of the business.

Also last week Ms. Jones was asked to expand her business by purchasing a large gift and boutique shop in the shopping center where her clothing store is located. She would have to form a small corporation to raise the capital for this additional purchase. She is concerned about losing some of her independence with this move.

¹Case study adapted from Nelson, R. E. Owning and Operating a Small Business. Springfield: Illinois Office of Education, 1976, p. 41.

STUDENT REFERENCE SHEET NO. 6

For use with Lesson 10 (Financial management)
and Lesson 11 (Business recordkeeping)

VOCABULARY:

Balance sheet: A current financial statement. A dollars-and-cents' description of a business that lists the assets, liabilities, and net worth.

Income statement: A statement that shows the income received, the expenses incurred, and the net income or the net loss over a period of time. This statement is usually prepared for a year's operations.

Current assets: Cash and the market value of all goods that could be turned into cash in a short period of time and all accounts receivable that are due in less than one year. (For example, the merchandise on the shelves is a current asset.)

Fixed assets: Items used in the business for a number of years and accounts receivable that are due in more than one year. (For example, desks and filing cabinets used in the store office are fixed assets.)

Current liabilities: Debts that must be paid within one year. (For example, money owed on merchandise received to stock shelves is a current liability.)

Long-term liabilities: Debts that must be paid sometime after the next 12-month period. (For example, the mortgage on the building is a long-term liability.)

Net worth: Assets minus liabilities equals the owner's net worth (equity).

Petty cash: An amount of cash kept on hand and used to make small cash payments.

WHAT BUSINESS RECORDS ARE IMPORTANT TO A SMALL BUSINESS OWNER?

1. A business checkbook recording details of all business payments
2. A daily receipts summary itemizing all money received

3. An accounts receivable register itemizing all credit customers and their payment records
4. A petty cash statement detailing the amounts and purposes of payments made from petty cash
5. A bank statement showing monthly the bank account balance, withdrawals, and deposits.
6. Payroll records itemizing hours worked, payments, and deductions for each employee
7. Inventory and purchasing record showing merchandise on hand and identifying purchasing patterns and purchasing needs

WHY ARE BUSINESS RECORDS IMPORTANT TO A SMALL BUSINESS OWNER?

Some records are required by law for tax and accounting purposes. Records are necessary to show:

1. how much profit the business is making.
2. how much the business is worth.
3. how much money the business owes.
4. how much money credit customers owe the business.

LESSON 10: FINANCIAL MANAGEMENT

Objectives:

The student will be able to:

1. determine personal financial status by developing a personal balance sheet.
2. identify selected terms related to financial management of a small business.

Generalization:

A balance sheet exhibits the financial condition of an individual or a small business.

Assignment for Lesson 11:

Review Student Reference Sheet No. 6.

Read pp. 66-69 in Starting and Managing A Small Business of Your Own.

Resources Needed for Lesson 10:

Student Worksheet No. 4, "Balance Sheet," (1 copy per student)

Personal balance sheets or net worth statements obtained from a bank (1 copy per student)

Student Handouts No. 3 and No. 4 - OPTIONAL - (1 copy per student)

5x8 cards for student groups

Teacher Reference:

Chapter 11, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

I. Introduction

15 min.

- A. Ask students to write down an estimate of their personal financial net worths including a list of the items they have of value. The estimate is to be made as of the date of the class period. Give 2-3 minutes to think about their net worths and to record answers.
- B. Do not ask for cash amounts, but ask what kinds of things they considered in trying to determine their net worths. Ideas and comments may be written on the board or on a transparency as they are discussed.
- C. Explain that small business owners need to determine the net worths of their businesses the same way individuals need to determine their net worths. Today the class will determine the net worth of a hypothetical high school student in a similar way that an owner determines the net worth of his/her small business.

II. Class Activity

30 min.

- A. Students can use the blank balance sheets (Student Worksheet No. 4). The class develops a hypothetical person with "made-up" values to complete the balance sheet. (Values should be realistic.) Each student should complete his/her own worksheet as the class progresses through the exercise. A completed balance sheet (Teacher Reference Sheet No. 2) is included as an example and resource for the teacher.

As the class creates the balance sheet, discuss the terms on the balance sheet using the definitions found on the Student Reference Sheet No. 6.

NOTE TO TEACHER: A balance sheet is completed for a business by itemizing current and fixed assets and then listing current and long-term liabilities. The net worth (equity) is computed by subtracting the total liabilities from the total assets.

- B. If bank balance sheets are available, distribute them at this time to illustrate what information is needed by a bank to determine net worth.

- C. Have students working in their small groups list examples of items from their businesses that fit each of the five categories.

1. current assets
2. fixed assets
3. current liabilities
4. long-term liabilities
5. equity

Record answers on 5x8 cards. Do not list cash amounts; simply list the items. For example:

Children's clothing store:

1. Current assets:
 - cash
 - inventory of clothing
 - accounts receivable
2. Fixed assets
 - land
 - building
 - equipment
3. Current liabilities:
 - unpaid bill to supplier
 - salaries owed
4. Long-term liability:
 - mortgage on the building
5. Equity:
 - total assets minus total liabilities

D. OPTIONAL ACTIVITY

If students are not overwhelmed with the financial management lesson and there is time, hand out business balance sheets and business income statements (SH No. 3 and SH No. 4). Discuss how these differ from personal balance sheets and why they are important to small business owners. What terms are similar on all forms? What terms are different?

NOTE TO TEACHER: An income statement is completed for a business by listing the total sales for the year, and then itemizing the cost of the goods sold and the expenses for the year. The net income is computed by subtracting the cost of goods sold and the expenses from the total sales.

III. Closure

5 min.

Ask students to summarize in one or two sentences why financial management is important to high school students.

Name _____

BALANCE SHEET

Today's Date _____

ASSETS

LIABILITIES

Current assets:
(list specifically)

Current liabilities:

Cash

Accounts payable

Checking account

Savings account

Accounts receivable

Long-Term Liabilities

Cash worth of life insurance

Government bonds

Total Liabilities

Fixed Assets

Net worth = total assets - total liabilities

Total Assets

Total liabilities + net worth = Total assets

Name _____

BALANCE SHEET

Today's Date _____

ASSETS		LIABILITIES	
Current assets: (list specifically)		Current liabilities:	
Cash	\$ 25	Accounts payable	
Checking account	119	Clothing bill; charge account	\$ 75
Savings account	400	Car loan payment (amount due over the next 12 months)	800
Accounts receivable (money lent by student)	20	Long-Term Liabilities:	
Fixed Assets:		Car loan (amount due in 12-24 months)	<u>800</u>
Car	2,000	Total Liabilities	\$1,675
Stereo	<u>250</u>	Total assets - total liabilities = net worth	<u>1,139</u>
Total Assets	<u>\$2,814</u>	Total liabilities + net worth = total assets	<u>\$2,814</u>

The Linen Closet

Balance Sheet

May 31, 19__

ASSETS		LIABILITIES	
Current Assets		Current Liabilities	
Cash	\$10,000	Accounts payable	\$ 7,000
Accounts receivable (due in less than 1 year)	\$17,000	Notes payable	<u>1,000</u>
		Total Current Liabilities	\$ 8,000
Less allowance for uncollectible accounts	<u>1,000</u> <u>16,000</u>	Long-Term Liabilities	
Total Current Assets	\$26,000	Equipment (Payment due)	<u>\$8,000</u>
		Total Long-Term Liabilities	<u>8,000</u>
Fixed Assets		Total Liabilities	\$16,000
Land	-0-	Equity	
Building	-0-	Owner's equity in business	27,000
Less allowance for depreciation	-0- -0-		
Equipment	\$18,000		
Less allowance for depreciation	<u>1,000</u> <u>\$17,000</u>		
Total Fixed Assets	17,000		
Total Assets	<u>\$43,000</u>	Total Liabilities and Equity	<u>\$43,000</u>

STUDENT HANDOUT NO. 3 - OPTIONAL
For use with Lesson 10 (Financial Management)

STUDENT HANDOUT NO. 4 - OPTIONAL

For use with Lesson 10 (Financial management)

The Linen Closet

(sole proprietorship)

Income Statement
(for year ending December 31, 19__)

Sales		
Cash sales	\$27,000	
Credit sales	<u>29,000</u>	
Total Sales		\$56,000
Cost of Goods Sold		
Beginning inventory	\$16,000	
Purchases	<u>28,000</u>	
Cost of goods available for sale	\$44,000	
Less ending inventory	<u>6,000</u>	
Cost of Goods Sold		<u>38,000</u>
Gross Profit on Sales		\$18,000
Operating Expenses		
Rent	\$2,000	
Salaries and wages	6,500	
Utilities	800	
Advertising	750	
Insurance	500	
Depreciation	500	
Miscellaneous	<u>500</u>	
Total Expenses		<u>11,550</u>
Net Income		<u>\$ 6,450</u>

LESSON 11: BUSINESS RECORDKEEPING

Objectives:

The student will be able to:

1. explain why adequate recordkeeping is important to the success of a small business.
2. identify the kinds of business records that are necessary in a small business.

Generalizations:

1. Accurate and detailed business records facilitate answering a variety of questions concerning the business.
2. Adequate business records are a major factor in business success.

Assignment for Lesson 12:

Read pp. 63-66 in Starting and Managing a Small Business of Your Own.

Read Student Reference Sheet No. 7.

Students who will be involved in the introductory activity for Lesson 12 should prepare their role plays.

Resources Needed for Lesson 11:

5x8 cards for student groups

Student Reference Sheet No. 7 (1 copy per student)

Teacher Reference:

Pp. 108, 409-412, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

I. Introduction

5 min.

- A. Have a student briefly review yesterday's activities and the generalizations.
- B. Discuss that an individual or business owner must keep records in order to determine assets, liabilities, and net worth.

II. Class Activity

40 min.

- A. Working in their small business groups, have students develop a list of all the business records necessary for their identified businesses. They must keep in mind any known government regulations on records necessary for their particular businesses. Record the list on 5x8 cards.
- B. Share the lists and have students discuss similarities and differences on the needed business records. Using Student Reference Sheet No. 6 and textbook reading, discuss the following:
 1. What business records are important to a small business owner?
 2. Why are business records important?
- C. Discuss:
 1. What records, including financial records, are important for an 18-year-old individual?
 2. What records are important to a family?
 3. Why are records important to a family?

(Concepts from consumer education and family relationships units can be integrated into this discussion.)

III. Closure

5 min.

- A. Bring out the generalizations.
- B. Give assignment for Lesson 12.

STUDENT REFERENCE SHEET NO. 7

For use with Lesson 12 (Customer and employee relations)
and Lesson 13 (Small business owner visit)

VOCABULARY:

Employee relations: Interactions between the owner and employees.

Customer relations: Interactions between the owner, employees, and customers.

Community relations: Interactions between the business and the community in which the business is located.

WHY ARE GOOD CUSTOMER RELATIONS IMPORTANT TO A SMALL BUSINESS OWNER?

The people who decide to buy and then later rebuy are very important to a small business. A business objective must be to attract and maintain a supporting clientele of satisfied customers. Customer satisfaction is considered the basis for continued success of a business. To develop good customer relations, a small business owner should:

1. identify customer likes and dislikes.
2. train employees in courteous customer relations.
3. provide services desired by customers.
4. observe all company warranties and guarantees.
5. service company products.

HOW ARE GOOD EMPLOYEE-EMPLOYER RELATIONS DEVELOPED?

Management should provide the leadership to build good employee-employer relationships. Employers should:

1. recognize good work.
2. treat employees fairly.
3. give criticism constructively.
4. consider employees as individual human beings.
5. distribute responsibility.
6. involve employees in decision making.

HOW ARE COMMUNITY RELATIONS DEVELOPED BY A SMALL BUSINESS OWNER?

The small business owner develops community relations by representing the business to groups in the community. Groups may include service clubs or trade associations. The small business owner also interacts with the community by sponsoring school or community activities. These activities may include purchasing an advertisement in the school annual, giving time and/or money to a community project, or working on a local charity drive. The owner is the spokesperson for his/her business when he/she speaks to school classes, civic groups, customers, suppliers, and financial institutions.

LESSON 12: CUSTOMER AND EMPLOYEE RELATIONS

Objectives:

The student will be able to:

1. recognize the importance of good employee and customer relations in the success of a small business.
2. identify ways to develop good customer and employee relations.
3. describe how it "feels" to be a boss.

Generalization:

Customer and employee relations influence the success or failure of a small business.

Assignment for Lesson 13:

Write two questions to ask a small business owner regarding his/her occupation. The questions may relate to anything covered in the unit. Indicate to the class whether the small business owner is coming to visit the class in school or whether this visit will occur via a class field trip.

Resources Needed for Lesson 12:

5x8 cards for the small groups

Teacher Reference:

Chapter 16, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

I. Introduction

15 min.

Two introductory activities are suggested, A and B. The teacher may select one of the two activities.

A. Option A. Role plays:

1. Two role plays will be conducted by students in the class. The students previously have been selected and briefed by the teacher.

Both role plays will illustrate a customer justifiably returning a purchase that did not perform or last as it should have. The teacher can provide actual defective products or the products, along with the situations, can be imagined. Examples of defective merchandise are: a plaid shirt that when washed had colors run and fade, sanforized blue jeans that shrank when washed, or a record album that warped.

One role play should illustrate the store employee being courteous and fair; the other should illustrate complete lack of concern for the customer's problem.

2. Discuss the following questions after the role plays:

- a. To which store would students prefer returning products? Why?
- b. How could the unpleasant situation have been resolved so both parties were happier?
- c. Which clerk would you have wanted to be? Why?

B. Option B:

1. Have each student write down the name of a business in the community that he/she patronizes because the business is liked.
2. Identify two specific things about the business that is liked and write them down. Examples could be that the business makes teenagers feel welcome or that it has the type of food or clothing teenagers prefer.
3. Discuss No. 2 and bring out the concept that having customers "like" a business or feel good about a business is developing good customer relations.

II. Class Activity

30 min.

- A. Discuss the following terms with the class. Definitions are on Student Reference Sheet No. 7.

Terms: Employee relations
 Customer relations
 Community relations*

As the definitions are discussed, ask students with work experience to give examples of (1) good and poor employee-employer relations and (2) good and poor employee-customer relations.

- B. Working in their previously established small groups, have students develop policies for their identified small businesses on each of the issues listed below. The group must reach consensus, and they should record their answers on 5x8 cards.

Issues:

1. As a business owner, would you have a policy that the customer is always right? Why or why not?
 2. As a business owner, would you share information concerning the financial records of the business with your employees? Why or why not?
 3. As a business owner, would you consult with your employees when making decisions about future business goals? Why or why not? For which goals?
 4. As a business owner, would you have a job description specifically written out for each employee? Why or why not?
- C. Bring the class together and discuss the results of the small-group activity. What were some of the problems or concerns of the groups? (Teacher Reference Sheet No. 3 for Lesson 12 provides some discussion clues.)

* NOTE: Community relations will be discussed by the small business owner (guest speaker), Lesson 13.

III. Closure

5 min.

- A. Bring out the generalization.
- B. Give assignment for Lesson 13. Request that students bring their questions for the small business speaker to the class period in which the owner is to speak.

TEACHER REFERENCE SHEET NO. 3

For use with Lesson 12 (Customer and employee relations)

Issue 1: As a business owner, would you have a policy that the customer is always right? Why or why not?

"Discussion Clues"

If the customer is always right, some customers could easily abuse the liberal policy for returning merchandise. However, this attitude would promote positive customer relations and the opposite attitude would cause customers to discontinue patronizing the store. Perhaps an appropriate compromise policy would be that the customer is always right on his/her first complaint. If complaints by that same person continue, the policy would become more strict.

Issue 2: As a business owner, would you share information concerning the financial records of the business with your employees? Why or why not?

"Discussion Clues"

Sharing financial information helps employees feel they are an important part of the entire business. However, if some employees are not happy with their jobs, they may use the information in ways that are detrimental to the business.

Issue 3: As a business owner, would you consult with your employees when making decisions about future business goals? Why or why not? For which goals?

"Discussion Clues"

Sharing information about business goals also helps employees feel they are an important part of the business. However, overall management of the business, including selecting and planning for attainment of goals, is the primary responsibility of the owner(s). Failure to carry out this responsibility may cause employees to feel there is weak management or weak leadership in the business.

Issue 4: As a business owner, would you have job descriptions specifically written out for each employee? Why or why not?

"Discussion Clues"

Specific job descriptions outline exactly which employees have which responsibilities. Employees then know exactly what is expected of them. However, as jobs not specified for any occur, there can be problems assigning them to employees who work only according to their specific job descriptions.

LESSON 13: SMALL BUSINESS OWNER VISIT

Objectives:

The student will be able to:

1. comprehend the activities involved in owning a small business.
2. develop a realistic understanding of a career as a small business owner.

Generalization:

Successful small business ownership involves doing a variety of activities well.

Assignment for Lesson 14 and Lesson 15:

Study for the exam to be given.

Teacher Reference:

Chapter 20. Small Business Management: A Guide to Entrepreneurship.

LESSON PLAN:

I. Introduction

5 min.

Teacher introduces the small business owner. The introduction will occur either in the classroom or in the small business selected for the field trip.

II. Class Activity

40 min.

- A. The small business owner provides an overview of the topics outlined on the guidesheet. If the lesson is conducted as a field trip, the owner may want to include examples from his/her business.
- B. The small business owner discusses with students their questions.

III. Closure

5 min.

Thank the business owner. Remind students of the upcoming exam.

GUIDESHEET FOR SMALL BUSINESS OWNER

The home economics class has been involved in a 3-week introductory unit on small business ownership. Topics covered in the unit included: the nature of small business, goal setting, product determination, advertising, business expenses, business capital, types of business ownership, financial management, business records, employee and customer relations, and an overview of small business ownership activities.

Objectives for today's lesson are listed below:

The student will be able to:

1. comprehend the activities involved in owning a small business.
2. develop a realistic understanding of a career as a small business owner.

Today's Activity:

Would you as a small business owner please present an overview of the activities involved in your career. The following questions are given to serve as a guide. An asterisk (*) indicates the questions of particular interest to the class.

The students have developed some questions they would like to have you respond to following your presentation.

QUESTIONS:

1. What product(s) do you sell and/or services do you offer in your business? Why did you select this type of business? Who is your target market? How do you advertise? Why do you use this type of advertising?
- *2. Why is it important to set short-term goals and long-term goals for your business? What are the long-term goals for your business? How do you know if you are making progress toward those goals? For example, a goal is a specific objective you have for your business. A long-term goal may be to have a 30% gross increase in sales this year. A related short-term goal would be to increase business 7-8% every three months during the year.
3. Where is your business located? How did you select this location? Why? What other location in your community would be good for your business?

4. How much capital would it take today to begin a business similar to yours? (Provide answer in \$5,000 ranges; e.g., \$20,000-\$25,000.) Where did you obtain the capital to begin your business? What sources of capital would you suggest to prospective business owners? Of what operating expenses are your customers unaware? (e.g., license fees, lawyer expenses) What are your customer credit policies? Why?
5. What is the range of personal income of a small business in your field? (Provide answer in \$5,000 ranges.)
- *6. How do you decide on the selling price for your merchandise? What is a good margin of profit for small business in your field? (e.g., 2% of gross sales, 4%?)
7. How is your business organized? (sole proprietorship, partnership, corporation) Why did you select this type of organization?
8. What records are necessary for your business? What records are required by the government? How do you use the records you maintain? Do you have an accountant? Why or why not?
9. How do you work to develop good customer and employee relations? What types of problems can develop?
- *10. Why are good community relations important to your business? How do you develop good community relations?
11. On a "typical" day, what are the variety of jobs you may perform as a small business owner?
- *12. What are sources of assistance to a small business owner? To whom do you go with financial problems? employee problems? recordkeeping problems?
- *13. What do you like best about being a small business owner? Would you recommend this occupation to other people? Why or why not?
- *14. If someone were interested in becoming a small business owner, what experiences would you recommend before starting the business? What experiences were particularly helpful for you?

LESSON 14: SELF-EVALUATION OF SMALL BUSINESS OWNERSHIP

Objectives:

The student will be able to:

1. describe the variety of activities performed by a small business owner.
2. describe personal traits that are important in working as a small business owner.

Generalizations:

Small business owners are responsible for many activities in a day; e.g., employee and customer relations, merchandise lay-out, accounting, and advertising.

Personal traits of successful entrepreneurs include: decision making, responsibility, and leadership.

Assignment for Lesson 15:

Study for the exam. Review all readings assigned in the student text and all Student Reference Sheets.

Resources Needed for Lesson 14:

Student Worksheet No. 5 (1 copy per student)

Teacher Reference:

Chapter 2, Small Business Management: A Guide to Entrepreneurship

LESSON PLAN:

- | | |
|---|--------|
| I. Introduction | 5 min. |
| A. Ask: "What is the first thing a business owner does when arriving at his/her business in the morning?" | |
| B. Record on the board the variety of responses given. Then point out that it is impossible to identify because business owners have so many different activities and responsibilities. | |

II. Class Activity

35 min.

- A. Continue the discussion by dividing the class into their small business groups. Have each group identify specific tasks that they would perform in their business in each of the following roles:
 1. employee supervisor
 2. product manager
 3. recordkeeper
 4. public relations manager
 5. sales supervisor
- B. Discuss with the entire class the tasks in each of the categories. Note the diversity of activities and the different kinds of skills needed for each activity.
- C. Have students complete the rating scale for self-evaluation of personal entrepreneurial traits.
- D. Discuss the rating scales. Go through each of the questions and ask why those traits would be important to a small business owner.

III. Closure

10 min.

- A. Bring out the generalizations.
- B. Have students write 2-3 sentences on each of the following questions:
 1. Why would you like (or dislike) small business ownership as a career?
 2. If you were preparing for a career as a small business owner, what are two experiences you would need to achieve this goal?

If you are not interested in small business ownership, assume that you have a friend who is. What are two experiences you would suggest to your friend to achieve this goal?

Collect statements to evaluate student responses to the unit.

- C. Give assignment for Lesson 15.

"Rating Scale for Personal Traits Important to a Business Proprietor"¹

INSTRUCTIONS: After each question place a check mark on the line at the point closest to your answer. The check mark need not be placed directly over one of the suggested answers because your rating may lie somewhere between two answers. Be honest with yourself.

ARE YOU A SELF-STARTER?

I do things my own way.
Nobody needs to tell me
to get going.

If someone gets me
started, I keep going.

Easy does it. I don't put
myself out until I have to.

HOW DO YOU FEEL ABOUT OTHER PEOPLE?

I like people. I can
get along with just about
anybody.

I have plenty of friends.
I don't need anyone else.

Most people bug me.

CAN YOU LEAD OTHERS?

I can get most people to
go along without much
difficulty.

I can get people to do
things if I drive them.

I let someone else get
things moving.

¹Metcalfe, Wendell O. Starting and Managing a Small Business of Your Own. Washington, DC: Small Business Administration, 1973, pp. 4-5.

CAN YOU TAKE RESPONSIBILITY?

I like to take charge of and see things through.

I'll take over if I have to, but I'd rather let someone else be responsible.

There's always some eager beaver around wanting to show off. I say let him/her.

HOW GOOD AN ORGANIZER ARE YOU?

I like to have a plan before I start. I'm usually the one to get things lined up.

I do all right unless things get too goofed up. Then I cop out.

I just take things as they come.

HOW GOOD A WORKER ARE YOU?

I can keep going as long as necessary. I don't mind working hard.

I'll work hard for a while, but when I've had enough, that's it!

I can't see that hard work gets you anywhere.

CAN YOU MAKE DECISIONS?

I can make up my mind in a hurry if necessary, and my decision is usually o.k.

I can if I have plenty of time. If I have to make up my mind fast, I usually regret it.

I don't like to be the one who decides things. I'd probably blow it.

CAN PEOPLE TRUST WHAT YOU SAY?

They sure can. I don't say things I don't mean.

I try to be on the level, but sometimes I just say what's easiest.

What's the sweat if the other fellow doesn't know the difference?

CAN YOU STICK WITH IT?

If I make up my mind to do something, I don't let anything stop me.

I usually finish what I start.

If a job doesn't go right, I turn off. Why beat your brains out?

HOW GOOD IS YOUR HEALTH?

I never run down.

I have enough energy for most things I want to do.

I run out of juice sooner than most of my friends seem to.

LESSON 15: ACHIEVEMENT TEST

Resources Needed for Lesson 15:

Achievement test (1 copy per student)

Lesson Plan:

I. Class Activity

50 min.

- A. Administer tests to students.
- B. Collect tests.
- C. Discuss questions concerning the test with students if there is time.

II. Correct answers for test follow.

- | | | |
|-------|-------|-------|
| 1. D | 16. B | 31. D |
| 2. A | 17. B | 32. B |
| 3. B | 18. A | 33. B |
| 4. D | 19. C | 34. B |
| 5. C | 20. A | 35. A |
| 6. A | 21. A | 36. C |
| 7. C | 22. C | 37. B |
| 8. A | 23. D | 38. D |
| 9. D | 24. B | 39. C |
| 10. C | 25. B | 40. E |
| 11. D | 26. A | 41. B |
| 12. D | 27. C | 42. D |
| 13. A | 28. A | 43. C |
| 14. C | 29. D | 44. E |
| 15. C | 30. C | 45. A |

Name _____

SMALL BUSINESS OWNERSHIP POSTTEST

DIRECTIONS: Write your name on the test. Select the best answer to each question and circle the answer on the test.

1. Opportunities for small business ownership occur in a(n)
 - A. narrow range of occupations.
 - B. moderate number of trades.
 - C. occasional area of expertise.
 - D. wide variety of fields.
2. Individuals frequently select small business ownership as a career because of the opportunity to
 - A. be independent.
 - B. employ others.
 - C. work regular hours.
 - D. have a routine job.
3. A small business owner wants to improve his/her management ability. To achieve this, the best activity to accomplish in the next three months would be to
 - A. employ a new sales manager.
 - B. attend an administration workshop.
 - C. discuss taxes with an accountant.
 - D. deposit \$1,000 in a savings account.
4. A small business owner most likely would identify the primary target market for a gift shop to be
 - A. elderly grandparents.
 - B. middle-aged businesspersons.
 - C. working teenagers.
 - D. full-time homemakers.
5. Jeff wants to start a catering business to serve food in clients' homes. What factor must Jeff consider about the community before starting this business?
 - A. available shopping areas
 - B. number of restaurants
 - C. income level of people
 - D. variety of grocery stores

6. Small businesses are important to the American economy because they
 - A. promote competition.
 - B. inhibit inventions.
 - C. decrease jobs.
 - D. hinder independence.
7. An important source of advertising for small business owners that cannot be purchased is
 - A. customer services.
 - B. employee attitudes.
 - C. word-of-mouth.
 - D. quality merchandise.
8. An advertisement is effective if sales of a product
 - A. increase.
 - B. decrease.
 - C. fluctuate.
 - D. hold.
9. The first step in selecting an advertising medium is to
 - A. consider the frequency of contacts.
 - B. determine its appeal.
 - C. evaluate its cost.
 - D. identify the target market.
10. An advertising medium that is relatively inexpensive, permanent, and reaches a wide audience is
 - A. billboard.
 - B. newspaper.
 - C. telephone yellow page.
 - D. radio.
11. The small business owner's last step in selecting a business location is to
 - A. specify the location desired.
 - B. count traffic by location.
 - C. confer with a realtor on possible locations.
 - D. decide on a location.

12. A primary factor in selecting a location for a clothing store would be
 - A. provision for expanding the business area.
 - B. availability of restaurants in the area.
 - C. attractiveness of the storefront.
 - D. accessibility to customers.
13. In selecting a particular community for a new furniture store, a primary consideration would be
 - A. number of furniture stores in the area.
 - B. availability of good television and radio advertising.
 - C. your personal preference for the community.
 - D. involvement of the Chamber of Commerce in promoting new business.
14. A reason for buying the building in which a business is located is to
 - A. decrease capital required.
 - B. keep location flexible.
 - C. assure business location.
 - D. reduce maintenance costs.
15. Operating costs in an established business include
 - A. advertising, equipment, building.
 - B. merchandise, land, license fees.
 - C. salaries, taxes, maintenance.
 - D. insurance, furniture, inventory.
16. Initial costs in starting a business include
 - A. advertising, taxes.
 - B. equipment, inventory.
 - C. insurance, heat.
 - D. phone, wages.
17. A \$10,000 savings account could be used by a small business loan applicant as
 - A. business capacity.
 - B. available collateral.
 - C. character reference.
 - D. financial obligation.

18. Sources of business capital are
- A. stock sales, bank loan.
 - B. building lease, business plan.
 - C. Small Business Administration, building purchase.
 - D. Department of Commerce, personal commitment.
19. Factors considered in evaluating a small business loan applicant are
- A. state tax, monthly rent.
 - B. reserve fund, inventory value.
 - C. building value, financial obligations.
 - D. insurance premium, loan payment.
20. The least expensive type of business to start is a
- A. service business.
 - B. retail business.
 - C. wholesale business.
 - D. manufacturing business.
21. Ownership in a proprietorship consists of
- A. one person.
 - B. two persons.
 - C. three persons.
 - D. four or more persons.
22. A corporation is owned by its
- A. brokers.
 - B. employees.
 - C. shareholders.
 - D. advisers.
23. An advantage of a partnership is
- A. unlimited liability.
 - B. government regulations.
 - C. transferable ownership.
 - D. divided authority.
24. A disadvantage of corporate ownership is
- A. raising capital.
 - B. double taxation.
 - C. unlimited liability.
 - D. broader management.

25. A current liability of a business would be
- A. \$50 phone rebate.
 - B. \$400 electric bill.
 - C. \$1,000 customer credit.
 - D. \$3,000 building mortgage.
26. Payroll records itemize
- A. hours worked by each employee.
 - B. payments due to the bank.
 - C. money owed to creditors.
 - D. profit made by the business.
27. An accounts receivable register helps the small business owner determine payments the
- A. creditor requests.
 - B. banker expects.
 - C. customers owe.
 - D. suppliers want.
28. Net worth on a balance sheet is determined by subtracting
- A. liabilities from assets.
 - B. assets from liabilities.
 - C. depreciation from assets.
 - D. losses from profit.
29. Total liabilities are determined on a balance sheet by adding
- A. current assets to current liabilities.
 - B. fixed assets to long-term liabilities.
 - C. fixed assets to current liabilities.
 - D. current liabilities to long-term liabilities.
30. A balance sheet helps the small business owner analyze trends in
- A. advertising costs.
 - B. employee wages.
 - C. equity growth.
 - D. merchandise sold.
31. Equity in a business is defined as
- A. current assets.
 - B. fixed assets.
 - C. current liabilities.
 - D. net worth.

32. A checkbook provides a record of
- A. petty cash receipts.
 - B. payments made.
 - C. coming payments.
 - D. planned expenditures.
33. Positive customer relations are developed by
- A. ignoring company guarantees.
 - B. providing desired services.
 - C. having employees who gossip.
 - D. being critical of prospective buyers.
34. Good employee-employer relations are developed by
- A. ignoring poor work.
 - B. dividing responsibility evenly.
 - C. granting favors to some.
 - D. dictating employee procedures.
35. Positive business-community relations occur by
- A. assisting in community events.
 - B. having attractive window displays.
 - C. promoting personal welfare.
 - D. allowing customer credit.
36. A store owner has a no guarantee/no return policy on all purchases made in his/her store. This policy most likely would create
- A. positive community relations.
 - B. courteous employee attitudes.
 - C. poor customer relations.
 - D. negative advertising policies.
37. A characteristic common to most successful small business owners includes the ability to
- A. follow directions.
 - B. take reasonable risks.
 - C. put off tasks.
 - D. follow the crowd.

Matching

Directions for answering appear with each set of questions.

Set I

In Column A are listed long-term goals toward which a business might work over a 3-year period.

In Column B are listed short-term goals toward which a business might work over a 3-month period.

Select the short-term goal that will help the business achieve the long-term goal.

Column A Long-term Goal	Column B Short-term Goal
_____ 38. Save \$3,600 for remodeling of store.	A. Serve as a committee chairperson in local business group.
_____ 39. Increase gross sales by 50%.	B. Attend a workshop related to recordkeeping.
_____ 40. Train an employee as store manager.	C. Expand sales by 3% to 6% each month.
_____ 41. Improve management ability.	D. Deposit \$300 in bank account. E. Teach an employee to summarize accounts receivable.

Set II

The four factors associated with one's ability to obtain credit (the 4 C's of credit) are listed in Column A. Definitions for the factors are given in Column B. Match the definitions with the factors.

Column A Factors	Column B Definitions
_____ 42. Capacity	A. Circumstances external to the individual that influence the availability of money for loans
_____ 43. Character	B. Reliance of an individual on his/her own powers
_____ 44. Collateral	C. Pattern of behavior by an individual related to repayment of borrowed money
_____ 45. Conditions of economy	D. Potential for loan repayment by individual based on relationship of income to debt
	E. Property, stocks, or bonds of an individual used as backing for a loan

POSSIBLE ASSIGNMENTS FOR STUDENT "MAKE-UP" WORK

1. Students may interview a small business owner in the community. The teacher should contact the small business owner to see if he/she is willing to having a student interview him/her prior to the student's contact. Interviews may cover a variety of the topics discussed in unit or the interview may focus on one particular topic that the student missed during the unit.
2. Students may view the film, "The Time Of Your Life." This is an excellent film that discusses the importance of setting goals and managing time in order that individuals may achieve their career objectives. The film is available at some area education agencies or can be obtained free of charge from:

RHR Filmedia
1212 Avenue of the Americas
New York, NY 10036

Students should write a brief summary/reaction paper for a make-up assignment after viewing the film.

3. A set of examples of business records are included at the end of the unit. Students who missed Lessor 10 may want to complete these examples of business records to gain an overview of the variety of records that are necessary to small business owners.

Make-Up Assignment

ACCOUNTS RECEIVABLE REGISTER
 (completed example)
 Customer Ms. Helen Kaufman

DATE	DETAILS	AMOUNT
June 9, 19--	Credit Purchase -- sales slip No. 201	\$ 78 ⁰⁰ / ₌
June 15, 19--	Cash Received -- check No. 286	25 ⁰⁰ / ₌
		53 ⁰⁰ / ₌
July 5, 19--	Credit Purchase -- sales slip No. 418	59 ⁰⁰ / ₌
		112 ⁰⁰ / ₌
July 13, 19--	Cash Received -- check No. 235	40 ⁰⁰ / ₌
		72 ⁰⁰ / ₌

PETTY CASH SLIP

Date	<u>March 3, 19--</u>	No.	<u>187</u>
Amount	<u>\$ 3 ⁷⁸/₌</u>		
Purpose	<u>coffee supplies</u>		
Signed	<u>Janet L. Murphy</u>		

Make-Up Assignment

Accounts Receivable Information

1. Use the following information to complete the blank accounts receivable register on the student worksheet.

On August 5, Michael Markley purchased clothing items totaling \$58.76, sales slip No. 819. He made a \$10 cash deposit and opened a charge account at the store, charging the balance. On August 31, Mr. Markley made a \$15 cash payment towards his charge account. On September 8, Mr. Markley purchased new shoes for \$26.18, sales slip No. 1069, and charged these to his account. What is the balance due in Michael Markley's credit account?

2. Use the following information to complete the blank petty cash slip on the student worksheet.

On October 9, Jeff Wheeler paid the postman 33 cents out of petty cash for postage due on mail delivered to the business.

Family Clothing Store
 ACCOUNTS RECEIVABLE REGISTER (student worksheet)
 Customer _____

Date	Details	Amount

Make-Up Assignment

91

PETTY CASH SLIP

Date _____	No. _____
Amount _____	
Purpose _____	

Signed _____	

FAMILY CLOTHING STORE

BUSINESS CHECKS

(student worksheet)

Check No. <u>301</u> \$ <u>120.00</u> Date <u>Sept. 5, 19-</u> To <u>Lewis Office Equip.</u> For <u>office desk chair</u>	_____ NATIONAL BANK _____, IOWA CHECK NO. 301 Date <u>September 5, 19-</u> PAY TO THE ORDER OF <u>Lewis Office Equipment</u> \$ <u>120⁰⁰</u> <u>One hundred twenty</u> $\frac{00}{100}$ DOLLARS FAMILY CLOTHING STORE <u>Dorothy M. Stockamp</u>
Bal. Bro't. For'd. <u>360.00</u> Amt. Deposited _____ TOTAL <u>360.00</u> Amt. this check <u>120.00</u> Bal. Car'd. For'd. <u>240.00</u>	
Check No. <u>302</u> \$ <u>415.38</u> Date <u>Sept. 5, 19-</u> To <u>Foss Shoe Supply</u> For <u>merchandise</u>	_____ NATIONAL BANK _____, IOWA CHECK NO. 302 Date <u>September 5, 19-</u> PAY TO THE ORDER OF <u>Foss Shoe Supply</u> \$ <u>415³⁸</u> <u>Four hundred fifteen</u> $\frac{38}{100}$ DOLLARS FAMILY CLOTHING STORE <u>Dorothy M. Stockamp</u>
Bal. Bro't. For'd. <u>240.00</u> Amt. Deposited <u>383.00</u> TOTAL <u>623.00</u> Amt. this check <u>415.38</u> Bal. Car'd. For'd. <u>207.62</u>	

Make-Up Assignment

92

Make-Up Assignment

Business Check Information

Use the following information to complete the blank business checks on the student worksheet.

1. Rent is due on the 5th of each month, so payment is always mailed on the 1st. Rent is \$350 per month and the check was made out to Hoffman Realty. Nothing was deposited at this time and the checkbook balance before writing this check was \$739.
2. A payment to Stanley Clothing Supply Company was made on October 9 to cover in full the \$438.50 balance due. Also at this time \$250 was deposited in the checking account. Complete the check and check stub to show this transaction; determine the current balance of the checking account.

FAMILY CLOTHING STORE

BUSINESS CHECKS

(student worksheet)

Check No. _____ \$ _____ Date _____ To _____ For _____	_____ NATIONAL BANK _____, IOWA CHECK NO. 301 Date _____
Bal. Bro't. For'd. _____ Amt. Deposited _____ TOTAL _____ Amt. this check _____ Bal. Car'd. For'd. _____	PAY TO THE ORDER OF _____ \$ _____ _____ DOLLARS FAMILY CLOTHING STORE
Check No. _____ \$ _____ Date _____ To _____ For _____	_____ NATIONAL BANK _____, IOWA CHECK NO. 302 Date _____
Bal. Bro't. For'd. _____ Amt. Deposited _____ TOTAL _____ Amt. this check _____ Bal. Car'd. For'd. _____	PAY TO THE ORDER OF _____ \$ _____ _____ DOLLARS FAMILY CLOTHING STORE

Make-Up Assignment

PAYROLL RECORDS (completed example)

Employee <u>Brian Parker</u>							Social Security Number <u>000-00-0000</u>												
	S	M	T	W	Th	F	Ttl. Reg. Hrs.	Reg. Rate Per Hr.	Ttl. Reg. Pay	Over- time Hrs.	Over- time Rate Per Hr.	Ttl. Over- time Pay	Ttl. Gross Pay	Soc. Sec. Ded.	Fed. Inc. Tax	State Inc. Tax	Other Deduc- tions	Total Deduc- tions	Net Pay
Week 1	4	4	4	4	4		20	2.50	50.00	0	3.75	0	50.00	3.00	5.00	1.50	0	9.50	40.50

Employee <u>Sandra Knutson</u>							Social Security Number <u>000-00-0000</u>												
	S	M	T	W	Th	F	Ttl. Reg. Hrs.	Reg. Rate Per Hr.	Ttl. Reg. Pay	Over- time Hrs.	Over- time Rate Per Hr.	Ttl. Over- time Pay	Ttl. Gross Pay	Soc. Sec. Ded.	Fed. Inc. Tax	State Inc. Tax	Other Deduc- tions	Total Deduc- tions	Net Pay
Week 1	4	8	8	8	8	8	40	3.00	120.00	4	4.50	18.00	138.00	10.40	21.00	3.40	0	34.80	103.20

SUMMARY PAYROLL RECORD																			
	S	M	T	W	Th	F	Ttl. Reg. Hrs.	Reg. Rate Per Hr.	Ttl. Reg. Pay	Over- time Hrs.	Over- time Rate Per Hr.	Ttl. Over- time Pay	Ttl. Gross Pay	Soc. Sec. Ded.	Fed. Inc. Tax	State Inc. Tax	Other Deduc- tions	Total Deduc- tions	Net Pay
Week 1	8	12	12	12	12	8	60		170.00	4		18.00	188.00	13.40	26.00	4.90	0	44.30	143.70

Make-up Assignment

Payroll Records Information

The following information is necessary to complete the blank weekly payroll records for the Family Clothing Store on the student worksheet.

Employee: Sharon Bond

Social Security Number: 000-00-0000

Hours worked: Monday - 4 hours
Tuesday - 4 hours
Thursday - 8 hours
Friday - 4 hours

Regular pay rate: \$3.00 per hour

Social security deduction: \$3.60

Federal income tax deduction: \$6.00

State income tax deduction: \$1.40

Employee: Randy Parson

Social Security Number: 000-00-0000

Hours worked: Wednesday - 4 hours
Friday - 4 hours
Saturday - 4 hours

Regular pay rate: \$3.00

Social security deduction: \$2.10

Federal income tax deduction: \$3.50

State income tax deduction: \$0.90

PAYROLL RECORDS (student worksheet)

Employee _____							Social Security Number _____												
	S	M	T	W	Th	F	Ttl. Reg. Hrs.	Reg. Rate Per Hr.	Ttl. Reg. Pay	Over- time Hrs.	Over- time Rate Per Hr.	Ttl. Over- time Pay	Ttl. Gross Pay	Soc. Sec. Ded.	Fed. Inc. Tax	State Inc. Tax	Other Deduc- tions	Total Deduc- tions	Net Pay
Week 1																			

Employee _____							Social Security Number _____												
	S	M	T	W	Th	F	Ttl. Reg. Hrs.	Reg. Rate Per Hr.	Ttl. Reg. Pay	Over- time Hrs.	Over- time Rate Per Hr.	Ttl. Over- time Pay	Ttl. Gross Pay	Soc. Sec. Ded.	Fed. Inc. Tax	State Inc. Tax	Other Deduc- tions	Total Deduc- tions	Net Pay
Week 1																			

SUMMARY PAYROLL RECORD																			
	S	M	T	W	Th	F	Ttl. Reg. Hrs.	Reg. Rate Per Hr.	Ttl. Reg. Pay	Over- time Hrs.	Over- time Rate Per Hr.	Ttl. Over- time Pay	Ttl. Gross Pay	Soc. Sec. Ded.	Fed. Inc. Tax	State Inc. Tax	Other Deduc- tions	Total Deduc- tions	Net Pay
Week 1																			

Make-Up Assignment